



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 4th March 2024

PRESENT : Cllrs. Wilson (Chair), Gravells MBE (Vice-Chair), Bowkett, Campbell, Durdey, Morgan, Patel and Sawyer

Officers in Attendance

Monitoring Officer

Director of Communities

Head of Finance & Resources

Financial Services Manager

Head of Audit Risk Assurance (ARA)

Accountancy Manager (Systems Accountant)

Deloitte Representatives (x2)

Democratic and Electoral Services Officer

Also in attendance

Councillor H.Norman

APOLOGIES : Cllr. Brooker

50. DECLARATIONS OF INTEREST

There were no declarations of interest.

51. MINUTES

51.1 The Chair pointed to paragraph 44.5 of the previous minutes. He asked whether there would be a specific audit on the topic of homelessness. The external auditor responded that this work had begun and would probably be issued by April 2024.

51.2 **RESOLVED** that: - the minutes of the meeting held on 15th January 2024 were confirmed and signed by the Chair as a correct record.

52. PUBLIC QUESTION TIME (15 MINUTES)

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There were no public questions.

53. PETITIONS AND DEPUTATIONS (15 MINUTES)

There were no petitions nor deputations.

54. EXTERNAL AUDIT UPDATE

54.1 A representative of Deloitte attended the meeting to provide a verbal update to the Audit and Governance Committee.

54.2 The Chair stated that he had hoped to see a report on the 2021/22 accounts at the meeting. He asked when the report would be completed and whether there were any issues that had arisen. The Head of Finance & Resources stated that he believed it would be useful for the representative from Deloitte to give a verbal update to Members for clarity on the position in relation to the 2021/22 accounts.

54.3 The external auditor stated that the backstop date was scheduled for the end of September 2024. She stated that the consultation had not closed yet, noting that while the consultation process had not ended, it was expected that Deloitte would be expected to complete the Value for Money (VFM) audit as a priority. She stated that Deloitte was looking to see what the consultation meant in regard to resources and prioritisation that would be required. The external auditor advised that as a minimum, there would be a priority to complete the VFM audit before 30 September 2024.

54.4 The Chair asked if this meant that the date to publish the 2021/22 accounts had been pushed further back. The Head of Finance & Resources stated that it was not a static figure and that it had been moved back to the September deadline (subject to legislation).

54.5 In response to a question by the Chair in relation to where the finance team were in getting the accounts for 2021/22 signed off, the Head of Finance & Resources stated that this was still to be determined as a response to the consultation.

54.6 The Chair asked if the VFM audit was nearly complete and whether it was likely that a related report would come before the Audit and Governance committee at the next meeting (July 2024). The external auditor replied that this was the intention.

54.7 In response to a question about what the plan was in relation to the accounts for the financial year of 2022/23, the Head of Finance & Resources stated that the plan was to produce the accounts as soon as was possible. The accounts would then be subject to public consultation.

54.8 The Chair noted that there had been an intention to get a draft version of the accounts for 2022/23 before the May 2024 Local Elections. He asked

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whether this was still the intention. The Head of Finance & Resources responded that this was correct.

- 54.9 The Chair asked if there were any issues with the accounts thus far. In response, the representative of Deloitte stated that they had not commissioned that piece of work yet. She stated that they were waiting for the consultation date to be finalised.
- 54.10 In response to a question by Councillor Gravells, the Head of Finance & Resources stated that he would be submitting a response to the Consultation for the City Council and that he would provide a link to the consultation to the Audit and Governance Committee.
- 54.11 In response to questions by Councillor Patel and Bowkett, the Head of Finance & Resources stated that there were a number of issues regarding the local government audit backlog. He mentioned that the consultation was aiming to move away from the backlog. The Head of Finance & Resources further noted that Gloucester City Council was one of numerous authorities in a similar position regarding the non-audited accounts. He explained that the Cyber Incident was a significant factor in the delay of publishing the 2022/23 accounts as they were working to restore the system.
- 54.12 In response to Councillor Patel's question regarding the consultation process, the Head of Finance & Resources stated that there had been a meeting earlier in the week, which provided an update for the four bodies responsible for the consultation. He confirmed that he would share the consultation with the committee, should they wish to review it and provide any potential responses.
- 54.13 In response to points raised by Councillor Gravells, the Head of Finance & Resources stated that he would draft the response to the consultation and would share it with the Chair and Vice-Chair of the committee before sending it.
- 54.14 The Deloitte representative noted that it was important to highlight that the backlog for Gloucester City Council was predominantly due to the Cyber Incident.
- 54.15 In response to points raised by the Chair, the Deloitte representative clarified that the drop-dead date at the end of September applied to all open years, including the accounts for 2022/23. She further clarified that anything not completed by that time would result in a disclaimer audit opinion.
- 54.16 In response to concerns raised by Councillor Bowkett in relation to the delay, the Head of Finance & Resources noted that the Council would be transitioning auditors by engaging a new company to complete audits. He stated that Bishop Fleming would be handling the 2023/24 audit. Therefore, they would not need to wait for the 2021/22 and 2022/23 accounts to be signed off before conducting work on the most recent financial year.

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54.17 In response to a question by Councillor Patel regarding whether there were financial penalties for not signing off the accounts, the Head of Finance & Resources stated that there were none and that the issue was common across the sector.

54.18 **RESOLVED** that the Audit and Governance Committee note the verbal update.

55. STATEMENT OF ACCOUNTS 2021-22

55.1 The Chair noted that it was useful to include a narrative in the report. He further noted that the accounts had been published on the City Council website in draft form.

55.2 **RESOLVED** that Audit and Governance Committee **NOTE** the content of the report.

56. INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2023/24

56.1 The Head of Audit Risk Assurance (ARA) presented the report, the purpose of which was to inform the Audit and Governance Committee of the Internal Audit activity progress in relation to the Internal Audit Plan 2023-24. He stated that they had issued three reports since the previous Audit and Governance Committee meeting. He mentioned that his team had identified seven financial irregularities reported in the previous financial year, and the latest of these irregularities was due to be closed shortly.

56.2 The Chair highlighted the fact that the Benefits Team were not performing reviews of existing claims for Housing Benefits and Council Tax Reductions.

56.3 In response to a question by the Chair regarding why page 101 of the report indicated that the ARA had not participated in the National Fraud Initiative matching exercise, whereas page 110 suggested that they had, the Head of Audit Risk Assurance stated that owing to the Cyber Incident, there had been a partial attempt at the matching exercise as they did not have all data points. He explained that the Initiative collected data from various areas (such as Payroll, Council Tax, etc.) and compared it to other public bodies, but due to the incident, full participation was not possible.

56.4 In response to a further query from the Chair regarding the National Fraud Initiative matching exercise, the Financial Services Manager stated that due to the Cyber Incident, the Cabinet Office would not allow Gloucester to connect to their systems. He expressed his belief that this issue had now been resolved.

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- 56.5 The Chair asked whether the Benefits team were aware of the extent of possible fraudulent claimants. The Audit Officer stated that he could not currently give an exact figure.
- 56.6 The Chair asked if the issue regarding Housing and Benefits could be followed up on as soon as possible.
- 56.7 In response to a question by the Chair about s106 agreements, the Director of Communities stated that she could not provide a date regarding when the issues regarding previous S106 agreements would be updated in Exacom. She mentioned that the Council was prioritising the S106 agreements that were new and live. She explained that all new S106 agreements were going straight onto Exacom, so it was just the retrospective work that was experiencing delays.
- 56.8 Councillor Gravells noted his disappointment that not all the serious recommendations outlined in the report had been resolved. In response, the Head of Finance & Resources stated that he understood Councillor Gravells' concerns. He added that management accepted the recommendations in the report. In response to an additional question by Councillor Gravells, the Head of Finance and Resources stated that they had to prioritise high-level concerns, and that controls over s106 aligned closer to governance than finance. The Director of Communities noted that there were steps that needed to be taken before they could achieve full reconciliation. She stated that in relation to the recommendations that were not yet closed, a couple related to the Fees and Charges booklet. She mentioned that colleagues in Audit could not close this until after the Budget Council meeting, but now it could be closed. She stated that all of the other open recommendations related to reconciliation.
- 56.9 In response to an additional question by Councillor Gravells, the Head of Finance & Resources stated that he did not intend to suggest that the financial aspect in relation to S106 was not important, but rather it was important to highlight that there was work commencing on overhauling the governance of the agreements, which would incorporate the finances.
- 56.10 The Chair noted that the detailed schedule of all the outstanding items was useful.
- 56.11 **RESOLVED** that the Audit and Governance Committee **NOTE** the report.

57. DRAFT INTERNAL AUDIT PLAN 2024/25

- 57.1 The Head of Audit Risk Assurance (ARA) presented the report. The report provided the Committee with a summary of the draft risk based Internal Audit Plan 2024-25, as required by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS) 2017.
- 57.2 The Chair asked if there were any issues with how Freedom of Information Requests were handled by the Council. In response, the external auditor

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responded that there were no particular concerns about how Freedom of Information requests had been dealt with, but there had been an increase in their number. This was why the risk had increased.

- 57.3 The Chair asked how much the average Freedom of Information request cost the Council. In response, the Head of Finances and Resources stated that there were currently a wide range of Freedom of Information requests, each with varying requirements, and there were set limits regarding which requests could be refused. He mentioned that he could not provide a figure at this stage.
- 57.4 Councillor Patel stated that he had made a freedom of information request to Gloucester City Council and the County Council for similar information. He mentioned that while the County Council had provided the information, the City Council had not. He noted that the City Council had stated in the previous week that information could now be provided to Members, and asked for clarification as to whether there had been a change in policy at the City Council. He further asked why this had happened if so, and whether there was political pressure being exerted in relation to such cases. The Deputy Leader of the Council, Councillor Norman, noted that there was no political pressure being exerted in relation to Freedom of Information requests by any member of the Cabinet. The Director of Communities stated that she could not comment on the specific case that Councillor Patel had raised. However, she was aware of a number of similar requests, and therefore advice was sought on the matter, which had led to the review of the approach and the resulting email to Members relating to Freedom of Information requests. The Monitoring Officer noted that there was a spectrum of opinion on the law regarding Freedom of Information requests, which was why different authorities could have provided different advice.
- 57.5 In response to a question by Councillor Gravells seeking clarification regarding the 'significant backlog' in relation to Debt Recovery, the external auditor stated that he would provide more specific figures in the form of a written answer after the meeting.
- 57.6 **RESOLVED** that the Audit and Governance Committee:
- i. Agree that the Internal Audit Plan for 2024-25 reflects the risk profile of the Council; and
 - ii. Approve the Internal Audit Plan 2024-25 as detailed in Appendix A.

58. CAPITAL STRATEGY 2024/25

- 58.1 The Accountancy Manager (Systems Accountant) presented the report. The purpose of the report was for the Audit and Governance committee to formally recommend that Council approves the attached Capital Strategy, which was attached as appendix 1 of the report.

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- 58.2 The Chair noted that it was a well-written report. He questioned where the figure of £6,000 came from in relation to recognising individual assets. The Head of Finance and Resources stated that this figure had been the general limit for a long time. It allowed for assets under £6,000 to be grouped together.
- 58.3 The Chair noted that the report indicated that the required council investment for the Forum would be £107m. He asked whether this figure was a fixed value. In response, the Head of Finance and Resources stated that this was the figure and that he was not aware of any additional costs for the project at this stage.
- 58.4 In response to an additional question by the Chair regarding where the proposed £2.7 million in capital revenue would come from, the Head of Finance and Resources stated that he believed the vast majority of this funding would come from the Whitefrairs apartments, which were built as the first phase of the Forum project.
- 58.5 **RESOLVED** that the Audit and Governance Committee **RECOMMEND** that the Capital Strategy be approved by Council.

59. TREASURY MANAGEMENT STRATEGY 2024-25

- 59.1 The Accountancy Manager (Systems Accountant) presented the report. The purpose of the report was for the Audit and Governance Committee to formally recommend that the Council approved the Treasury Management Strategy, the prudential indicators, and note the Treasury activities.
- 59.2 In response to a query from the Chair, the Head of Finance and Resources stated that the borrowing rates listed on page 155 of the Council report were based on gilt rates as opposed to the bank rate.
- 59.3 The Chair asked whether it was a requirement to use the Public Works board. In response, the Head of Finance and Resources stated that the Council was not required to work with any specific body.
- 59.4 Councillor Morgan asked whether the Council expected to be borrowing more money in the next few years. In response, the Head of Finance and Resources stated that with projects such as the Forum, the Council would expect to see an increase in borrowing to invest and complete the capital program.
- 59.5 **RESOLVED** that the Audit and Governance Committee **RECOMMEND** that the Treasury Management Strategy be approved.

60. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Chair noted that whoever was Chair after the Local Elections (May 2024) would work through setting a work programme and that he would be willing to assist.

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61. DATE OF NEXT MEETING

Monday 15 July at 6.30pm in the Civic Suite, North Warehouse, The Docks

Time of commencement: 6.30 pm hours

Time of conclusion: 7.30 pm hours

Chair