



AUDIT AND GOVERNANCE COMMITTEE

MEETING : Monday, 20th July 2020

PRESENT : Cllrs. Wilson (Chair), Brooker (Vice-Chair), Bowkett, Hampson, Lugg, D. Norman, Patel and Toleman

Others in Attendance

Corporate Director, Transformation
Head of Audit, Risk and Assurance
Head of Cultural Services
Head of Policy and Resources
Chartered Institute of Internal Auditors
Deloitte
Accountancy Manager
Accountancy Manager
Democratic and Electoral Services Team Leader

APOLOGIES : None

1. APPOINTMENT OF CHAIR AND VICE-CHAIR

1.1 **RESOLVED:** - That the appointments of Chair and Vice-Chair at Annual Council be noted.

2. DECLARATIONS OF INTEREST

2.1 There were no declarations of interest.

3. MINUTES

3.1 The minutes of the meeting held on 9 March 2020 were confirmed as a correct record.

4. PUBLIC QUESTION TIME (15 MINUTES)

4.1 There were no public questions.

5. PETITIONS AND DEPUTATIONS (15 MINUTES)

5.1 There were no petitions or deputations.

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6. INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT

- 6.1 John Chesshire of the Chartered Institute of Internal Auditors introduced the External Quality Assessment of the Internal Audit Function (ARA) and informed Members that it was unusual for an Internal Audit operation to meet all the required international standards which ARA had done. He stated that it was rare to have given this level of assurance and that the Council had a very competent and effective Internal Audit service which conformed to all international standards.
- 6.2 The Chair emphasised that it was the assessors and not Members who had reached this conclusion and that the positive assessment was welcome. He noted the reference to staff turnover in the service as a potential threat and queried if the team was aware of this prior to the assessment and if measures were being deployed to mitigate this.
- 6.3 John Chesshire advised that the Chief Internal Auditor (Head of ARA) was aware of this and that he was pleased with the positive steps that had been introduced such as the trainee auditor scheme. The Head of ARA clarified that the issue with staff turnover was not unique to Gloucester but existed across the public sector where there were historic difficulties in recruiting and retaining good quality public sector auditors. She outlined the career graded traineeship scheme which was progressing well and cited one member of the team who had completed the promotion process.
- 6.4 **RESOLVED that:-** The Audit and Governance Committee **NOTE** that the EQA concluded that the ARA team:

(1) Meets each of the 64 Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing;

(2) Are excellent in their reflection of the Standards; Focus on performance, risk and adding value; and Quality Assurance and Improvement Programme;

(3) Are good in their: Operating with efficiency and (4) Like many internal audit functions at the present time, the ARA team is satisfactory in coordinating and maximising assurance.

7. DELOITTE EXTERNAL AUDIT REPORT 2019/20 (ISA 260 TO THOSE CHARGED WITH GOVERNANCE)

- 7.1 Michelle Hopton, (external auditor) of Deloitte introduced the report and outlined key aspects. She stated that the audit had progressed very well thus far particularly in the context of the ongoing pandemic. She further stated that the Council's finance team was well prepared in terms of the accounts.

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- 7.2 The external auditor stated that some errors were still being worked through in relation to valuation and treatment of Kings Walk. The finance liability in respect of Kings Walk had been recalculated. The Head of Policy and Resources confirmed that the correct adjustment had been made. She further stated that Deloitte was in the process of finalising pension testing and was awaiting a letter from the pension auditor. It was anticipated that this would be received by the end of August.
- 7.3 The external auditor also confirmed that Deloitte was finalising the joint venture as well as testing concerning the financial statements. She also outlined that materiality had been recalculated which was standard practice for each audit. Significant risk testing had also been progressed.
- 7.4 With the regard to unresolved Value for Money matters raised by the Chair, the external auditor confirmed that testing was being finalised and that there was nothing of concern to raise at this stage. She also confirmed that the final report would be available for the September Committee meeting.
- 7.5 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the interim ISA 260.

8. STATEMENT OF ACCOUNTS

- 8.1 The Head of Policy and Resources informed Members that, despite there being an extension granted due to the COVID-19 pandemic, he had sought to complete the accounts by the initial deadline. He advised that final sign off would not occur by 31 July 2020 as the completion of the pension audit was still to be confirmed. He further advised that there were no major issues to be addressed.
- 8.2 The Chair shared his view that the right course of action had been taken in working to the original deadline. The Head of Policy and Resources confirmed that the final sign off would be completed with the external auditors once the pension auditors letter had been received.
- 8.3 **RESOLVED that:-** The Chair and Head of Policy and Resources are delegated to approve and sign the Statement of Accounts upon completion of the pension fund audit and subject to any subsequent changes.

9. TREASURY MANAGEMENT ANNUAL REPORT 2019/20

- 9.1 The Accountancy Manager introduced the report detailing the Council's performance for the previous financial year. He confirmed the funds available as well as the Council's performance against benchmarks for the period which the Council outperformed. He also outlined the new borrowing during the period, predominantly to facilitate the purchasing of St. Oswald's retail park and the Eastgate Shopping Centre. The Accountancy Manager explained that due to an increase of 1% by the PWLB on borrowing rates, the Council had taken out a number of smaller loans in order to reduce its

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repayment rate to be more closely aligned to previously anticipated borrowing rates.

- 9.2 The Chair praised the fact that the benchmarks had been outperformed. In response to a query regarding taking out multiple, smaller loans over a shorter period, the Accountancy Manager confirmed that the interest rates were lower and therefore more beneficial to the Council.
- 9.3 Councillor D. Norman complimented the Accountancy Managers for their astute financial work in reaching such a positive treasury position. Members thanked the finance team for their endeavours in ensuring the Council was in a healthy financial position going forward.
- 9.4 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the report.

10. ANNUAL REPORT ON INTERNAL AUDIT ACTIVITY 2019/20

- 10.1 The Committee considered the annual report of the Head of ARA who highlighted key points including the satisfactory opinion, provided on the Council's control environment. She also stated that no limitations had been placed on the scope of Internal Audit's activity.
- 10.2 The Head of ARA brought to Members' attention the counter fraud activity undertaken during the year and also stated that as a result of efficiencies with ARA, a dividend of £17k had been provided to the Council..
- 10.3 The Head of ARA highlighted the one limited assurance report which related to Health and Safety arrangements. She reported that a positive update had been received from the Head of Communities and that a follow up audit review would be undertaken during 20/21 with the outcomes provided to the Audit and Governance Committee. The Committee requested that the Head of Communities provided a further management update to the January 2021 Audit and Governance Committee.
- 10.4 The Chair commented that the level of completed audits was a good result despite the COVID-19 pandemic. He anticipated that this would have an effect on internal audit's activity for the coming year. The Head of ARA confirmed that the audit plan would be revisited in September with any amendments made where necessary and further discussed with and reported to, the Audit and Governance Committee.
- 10.5 **RESOLVED that: -**
- (1) From the findings set out in the Internal Audit Annual Report, the Audit and Governance Committees takes reasonable assurance that the internal control environment, comprising risk management, control and governance is operating effectively;
 - (2) Note that the performance of Internal Audit meets the required standards;

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- (3) Note the Council wide counter fraud activity during 2019/20 which includes the fraud reporting requirements as mandated by the Local Government Transparency Code 2015 (paragraph ref 7b); and
- (4) Requests senior management attendance at the January 2021 meeting of the Committee to provide an update on the actions taken in relation to the recommendations made in the Health and Safety follow up internal audit.

11. THE GUILDHALL AND BLACKFRIARS PRIORY - INCOME RECEIVED FROM EVENTS LIMITED ASSURANCE MANAGEMENT UPDATE

- 11.1 The Head of Cultural Services introduced the management update as a result of the limited assurance given by internal audit.
- 11.2 He confirmed which actions had been completed and which were in progress. With regard to priorities regarding ticketing, the Head of Cultural Services confirmed that such discussions had not yet taken place due to the fact that events were not permitted during the current health crisis.
- 11.3 The Head of ARA confirmed that all actions would be subject to internal audit follow up work and would be reported to a future meeting of the Committee.
- 11.4 **RESOLVED that:** - The Audit and Governance Committee **NOTE** the update.

12. IT DISASTER RECOVERY AND BUSINESS CONTINUITY LIMITED ASSURANCE MANAGEMENT UPDATE

- 12.1 The Head of Policy and Resources provided the limited assurance management update and informed Members there was one matter left to be attended to which was the moving of hardware from the Council's former offices. This was expected to happen in September. This would allow the Council to align disaster recovery with service recovery. Once this move had occurred, all the requirements of the limited assurance report would be fulfilled.
- 12.2 **RESOLVED:-** That the Audit and Governance Committee **NOTE** the update.

13. ANNUAL GOVERNANCE STATEMENT, LOCAL CODE OF CORPORATE GOVERNANCE AND COUNCIL WIDE ASSURANCE MAP 2019/20

- 13.1 The Head of ARA introduced the report and outlined the three key governance areas identified during 2019/2020: future financial stability (which reflected the present impact of COVID-19), the impact of COVID-19 on governance and key governance issues related to Marketing Gloucester Limited and the Council's response.
- 13.2 The Head of ARA advised that actions taken to address the governance issues identified would be monitored by the Audit and Governance

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Committee with an update being provided to the Committee in January 2021..

- 13.3 The Chair congratulated the Audit team for producing an eminently readable document and recommended that all Members read it as it provided a good summary of how governance arrangements operated at the Council.
- 13.4 **RESOLVED that:-** the AGS 2019/20 (including the actions planned by the Council to further enhance good governance arrangements), as set out in Appendix 1, be approved.

14. COUNTER FRAUD AND CORRUPTION POLICY AND STRATEGY

- 14.1 The Head of ARA introduced the report and outlined the three key governance areas identified during 2019/2020: future financial stability (which reflected the present impact of COVID-19), the impact of COVID-19 on governance and key governance issues related to Marketing Gloucester Limited and the Council's response.
- 14.2 The Head of ARA advised that actions taken to address the governance issues identified would be monitored by the Audit and Governance Committee with an update being provided to the Committee in January 2021..
- 14.3 **RESOLVED that:-** the Counter Fraud and Corruption Policy and Strategy be approved.

15. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

- 15.1 **RESOLVED that:-** The Audit and Governance Committee **NOTE** the Work Programme.

16. DATE OF NEXT MEETING

- 16.1 Monday 14th September 2020 at 6.30pm.

Time of commencement: 6.30 pm hours
Time of conclusion: 7.40 pm hours

Chair