

Audit and Governance Committee

Monday 26 July 2021

PRESENT:

Councillor Dr Mahony, in the Chair.
Councillor Lowry, Vice Chair.
Councillors Bingley, Evans OBE, Laing and Shayer.

Independent Members: Mr Shipperley (in attendance via MS Teams) and Mrs Annette Benny.

Also in attendance: Giles Perritt (Assistant Chief Executive), Andrew Loton (Head of Governance, Performance and Risk), Brendan Arnold (Service Director for Finance), Geri Daly (Grant Thornton), Paul Dossett (Grant Thornton), Paul Looby (Head of Financial Planning and Reporting), Brenda Davis (Audit Manager), Rob Hutchins (Devon Audit Partnership), Ken Johnson (Counter Fraud Services Manager), Chris Flower (Finance Business Partner), Kim Brown (Service Director – HROD), Clare Cotter (Head of Health, Safety and Welfare and Assurance) and Helen Rickman (Democratic Advisor).

The meeting started at 3.00 pm and finished at 6.25 pm.

Note: At a future meeting, the committee will consider the accuracy of these draft minutes, so they may be subject to change. Please check the minutes of that meeting to confirm whether these minutes have been amended.

1. **To Note the Appointment of Chair and Vice Chair for the Municipal Year 2021/ 2022**

Members noted the appointment of Councillor Dr Mahony as Chair, and Councillor Lowry as Vice Chair for the forthcoming municipal year 2021/22.

2. **Appointment of Independent Member**

Members agreed the appointment of Annette Benny as Independent Member of the Audit & Governance Committee for a term of four years, to be reviewed on an annual basis.

3. **Declarations of Interest**

The following declarations of interest were made by councillors in accordance with the code of conduct in respect of items under consideration at the meeting -

Name	Minute Number	Reason	Interest
Councillor Lowry	6	He was the portfolio holder involved at the time.	
Councillor Evans	6	He was the Leader of the Council involved at the time	
Annette Benny	All	She is a Non-Executive Director of Livewell SW/ a	Personal

		governor in a Multi Academy Trust	
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4. **Minutes**

The minutes of 22 March 2021 were agreed as an accurate record of the meeting.

5. **Chair's Urgent Business**

The Chair advised Members of an item of urgent business which related to agenda item 7, 'Grant Thornton: Plymouth City Council Governance Review'.

Giles Perritt (Assistant Chief Executive) advised Members that concerns had been raised regarding the potential commercial confidentiality of details contained within the report, specifically the naming of contractors and associates with whom the original transactions had taken place as well as fees involved. Advice sought encouraged the Council in the short term to continue to discuss the report at the committee meeting but also advised the Council to seek independent legal advice as to whether it should publish the report in its entirety. On this basis the report was restricted on the Council's website and it was suggested that the item be discussed in part 2 (private) session.

Members discussed the status of the minutes and what information would be contained within the public minutes, and raised concerns that the approach of moving into a private session potentially lacked transparency and accountability, specifically as this linked to tens of millions of pounds.

Geri Daly (Grant Thornton) highlighted that the preference was that the report was discussed in public session in order to support transparency however were content that the session moves into private session in order to enable the opportunity for a detailed discussion of the contents of the reports.

Members agreed to move into private session.

PART 2 (PRIVATE SESSION)

6. **Grant Thornton: Plymouth City Council Governance Review**

Brendan Arnold (Service Director for Finance) and Geri Daly (Grant Thornton) presented the Grant Thornton: Plymouth City Council Governance Review item to Members.

Members discussed the report in detail in a closed session.

The Audit and Governance Committee:

1. considered the Grant Thornton Governance Review at Appendix B of the report;
2. endorsed the Action Plan recommendations and the Council's response;
3. agreed that arrangements were put in place to ensure that progress in the delivery of the Council's response was monitored and managed in line with

recommendation four of the Action Plan. (The Council's response to the recommendations of the action plan will, when implemented provide enhanced governance arrangements for important decisions and provide assurance that the Council seeks to reach and maintain the highest standards in its stewardship of its resources.)

4. agreed to review the terms of reference of the committee.

PART I (PUBLIC SESSION)

7. Plymouth City Council Audit Progress Report and Sector Update - Grant Thornton

Geri Daly (Grant Thornton) presented the Plymouth City Council Audit Progress Report and Sector Update and immediately moved to questions.

Members raised questions and observations in the following key areas:

- (a) Members would consider it helpful if reports contained executive summaries highlighting salient issues so that key points, particularly within large reports, could be captured quickly;
- (b) it was queried when the Council's 2021 accounts would be both audited and delivered; Members considered it would be helpful if the accounts were finalised by the end of the year;
- (c) the benefit of having action trackers linked to the Audit and Governance Committee's minutes to aid in checking progress.

The Audit and Governance Committee agreed:

1. that actions raised from committee meetings would be recorded in an action log whereby progress and delivery could be monitored;
2. to note the update.

8. Audit Actions Review

Paul Looby (Head of Financial Planning and Reporting) presented the Audit Actions Review report which was designed to set out the monitoring process for reviewing recommendations made by Grant Thornton (the Council's external auditors) and Devon Audit Partnership (DAP) (the Council's internal auditors) in order to improve controls, minimise exposure to risk and provide ongoing assurance to senior management and Members.

Members raised questions in the following key areas:

- (a) would the audit actions review be presented at every meeting of the Audit and Governance Committee?
- (b) were recommendations contained within the report on track to be completed and implemented within a timely fashion?

- (c) there was currently no method of being able to distinguish how important a recommendation was and its target dates were likely to be met.

The Audit and Governance Committee agreed to note the content of the report and the process for monitoring recommendations of the Council's external and internal auditors.

9. **Internal Audit Annual Report 2020/21**

Brenda Davis (Audit Manager) presented the Internal Audit Annual Report 2020/21 and advised Members that the Council had revised its assurance ratings and definitions for 2021/22 in line with CIPFA Guidance (as detailed within the report). Directors had been provided with details of Internal Audit's opinion on each audit review to assist them with the compilation of their individual annual governance assurance statements. Overall, based on work performed during 2020/21 the Head of Internal Audit's Opinion was of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

Members raised the following key areas of questioning:

- (a) with regards to covid grants, how much had been overpaid and how much had subsequently been recovered? This would be covered by a later agenda item;
- (b) could assurance be provided that the information contained within the report was being actioned and addressed?
- (c) it was important that the information contained within the report was effectively dealt with by relevant parties and not just to be shown to the Audit and Governance Committee as part of an annual statement otherwise it would simply be a 'rubber stamping' exercise.

The Audit and Governance Committee:

1. note that, based on work performed during 2020/21 and previous years' audit, the Head of Internal Audit's opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework;
2. encouraged officers to consider the governance process and the progress, follow up and tracking of risk areas going forward. The document to be actively used by all those responsible, and not just the Audit and Governance Committee, in order to add value.

10. **Internal Audit Charter and Strategy 2021/22**

Rob Hutchins (Devon Audit Partnership) presented the Internal Audit Charter and Strategy 2021/22 report. Members were advised that the Audit and Governance Committee approved the Internal Audit Charter and the Internal Audit Strategy in July 2020 however the documents had since been merged into one document to avoid duplication. The wording contained within the report was largely unchanged however the report was added with visible track changes to assist Members in identifying what changes had been made.

It was queried by Members if the charter was a standard charter and if it differed with charters in other organisations; it was confirmed that this was a standard charter and the essence and content met public standards.

The Audit and Governance Committee agreed the Internal Audit Charter & Strategy 2021/22.

11. **Counter Fraud Services Annual Report 2020/21**

Ken Johnson (Counter Fraud Services Manager) presented the Counter Fraud Services Annual Report 2020/21 and advised Members that Counter Fraud work continued throughout 2020/21 and that there had been a general upturn in fraudulent activity during the current pandemic. Cases with the Counter Fraud Services Team, specifically linked to the Covid19 Grant, included three cases with the Police for potential money laundering, two cases which included refused payment after investigation, and nine cases where the investigation had completed and no further action was taken. The importance of raising the awareness of fraud in order to minimise fraud risk and aid in investigations was highlighted.

Key areas of questioning highlighted by Members included:

- (a) how was hidden crime reported and how could Members help the Counter Fraud Services Team to publicise the risk of fraud?
- (b) how did the team liaise with various partners in dealing with fraud that specifically affected young people?
- (c) had Ken met with the relevant Cabinet Member to discuss the report?
Members considered it would be beneficial that the report was presented to the Cabinet Member and help to publicise the importance of fraud prevention and awareness.

The Audit and Governance Committee agreed to:

- 1. note the Counter Fraud Services Annual Report 2020/21
- 2. recommend that Ken Johnson meets with the relevant Cabinet Member to discuss the report, specifically with regards to how fraud awareness should be publicised.

12. **Committee Training Programme**

Andrew Loton (Head of Risk, Governance and Performance) presented the Committee Training Programme. Members were advised that the committee provided a key source of assurance on the Council's audit and corporate governance arrangements. Due to the complexity and broad nature of agenda items and in order to maximise the effectiveness of the committee, a programme of training had been developed to equip members with essential knowledge to support them in their review and scrutiny of items.

The following key areas of questioning was highlighted by Members:

- (a) if, as part of the training programme, external training providers (specifically Ian Fyfield) could be considered;
- (b) if training provided to the Audit and Governance Committee could be made available to all Members for their ongoing development;
- (c) the formal training programme was welcomed however this highlighted a wider issue and the need of making the Audit and Governance Committee more effective. It was queried if other ways of working should be further considered, including having workshops between formal meetings, the benefit of having an Independent Member as Vice Chair to provide a form of consistency of membership, if the scope of meetings needed to be better considered, if a terms of reference review was required?
- (d) it was considered that how the Audit and Governance Committee currently operated should be looked into, specifically by the Chair and Vice Chair and key officers to discuss potential solutions;
- (e) due to the regular change in membership of the Audit and Governance Committee, it was queried what the standard induction programme for new members consisted of – what were the key pieces of information that new members would need to be quickly made aware of?

The Audit & Governance Committee agreed:

1. that as part of the training programme, Ian Fyfield would be approached as well as other external providers to deliver training, and that training would be offered to all Members of the Council when considered appropriate to do so;
2. that the development of the training programme for the Audit and Governance Committee would include a closer look at how the committee operated going forward, specifically with regards to its terms of reference; the Chair, Vice Chair and key officers would discuss potential solutions;
3. to endorse the programme of training being developed.

13. **Annual Report on Treasury Management Activities 2020/21**

Chris Flower (Finance Business Partner) presented the Annual Report on Treasury Management Activities 2020/21. The Committee was advised that the Council was required to formally report on its treasury management activities for the year providing information upon progress against the strategy in order to comply with the Code of Practice for Treasury Management. The report focused upon the Council's borrowing activity, investments, Treasury Management Outturn, Prudential Indicators, Interest Rate Swaps and loans.

The following key areas of questioning was highlighted by Members:

- (a) did the Council borrow or lend to other local authorities on a short or long term basis?
- (b) what was the current interest rate and would the Council consider an interest rate credit swap?
- (c) why would the Council not currently consider borrowing money at a different rate as this would result in the region of tens of millions of pounds and would allow public services to be provided?
- (d) did officers feel constrained by the council's policies with regards to how the Council balanced risk and opportunity?
- (e) what would be the cost of the borrowing if the interest rate rose to 3%?

In response to Members questions regarding the interest rate swap and associated benefits and risks, it was highlighted that the council was required to ensure that all decisions were legal and that risks were reasonable; innovative actions needed to be proceeded with caution.

The Audit & Governance Committee agreed:

- 1. to note the Treasury Management Annual Report 2020/21;
- 2. recommend the Treasury Management Annual Report 2020/21 to Full Council for approval (this is to comply with the CIPFA Code of Practice and discharge our statutory requirement.)

14. **Strategic Risk and Opportunity Register**

Andrew Loton (Head of Risk, Governance and Performance) presented the Strategic Risk and Opportunity Register. The Committee was advised that two strategic risks had a risk rating of red and these related to the Council's finances and education attainment; two further risks relating to the demands on children's social care and the economic impact of Covid 19 had been reduced from a red to an amber rating. Two new risks has been added to the register regarding the failure to meeting carbon reduction targets to reach net zero by 2030, and the risk of the financial impact pf delivering proposed changes to waste services as set out in the Government's draft Environment Bill.

The following key areas of questioning was highlighted by Members:

- (a) how long were risks left before a level of escalation was undertaken; what were the target dates for the risks?
- (b) who was responsible for the risks and made the decision as to what the next steps should be?
- (c) should the risk register be presented to every Audit & Governance Committee?

- (d) were red risks specifically highlighted to the relevant portfolio holder for mitigating action?

The Audit & Governance Committee approved the current position with regard to the Strategic Risk and Opportunity Register and noted the report.

15. **Health, Safety and Wellbeing Annual Report 2020 -2021**

Kim Brown (Service Director – HROD) and Clare Cotter (Head of Health, Safety and Welfare and Assurance) presented the Health, Safety and Wellbeing Annual Report 2020/21 to the Committee.

Members were advised that the report identified actions taken in 2020/21 to improve the Council's management arrangements for health, safety and wellbeing and planned steps for continuous improvement. Key highlights included enforcement activity, specifically regarding the control of exposure to vibration and if the Health and Safety Executive would seek to prosecute following their intervention in 2017 – 2019, as well as the impact of Covid 19 and the council's response to the pandemic to ensure infection control standards were implemented effectively.

The following key areas of questioning was highlighted by Members:

- (a) the Council's approach for members of staff that made the decision not to have the vaccine but still went into work;
- (b) what was the culture for incident reporting by members of staff at the Council? Good reporting aided learning and development.

The Audit & Governance Committee agreed to note the contents of the Health, Safety and Wellbeing Annual Report 2020/21.

16. **Work Programme**

Members noted the draft work programme for 2021/22.

Under this item the date of the next meeting scheduled for 20 September 2021 was discussed; it was agreed that the date would be changed in order to accommodate the attendance of the Independent Member.