

Audit and Governance Committee

Thursday 29 September 2022

PRESENT:

Councillor Luggar, in the Chair.
Councillor Lowry, Vice Chair.
Councillors Evans OBE, Finn and Tofan.

Independent Member: Mrs Annette Benny.

Apologies for absence: Mr Ian Shipperley.

Also in attendance: Paul Dossett (External Auditor), Ross Jago (Head of Governance, Performance and Risk), Paul Looby (Head of Financial Planning and Reporting), Brenda Davies (Audit Manager), Brendan Arnold (Service Director for Finance), Wendy Eldridge (Principle Technical Accountant), Emma Jackman (Monitoring Officer), Giles Perritt (Assistant Chief Executive), Carolyn Haynes (Financial Controller) and Helen Rickman (Democratic Advisor).

The meeting started at 2.00 pm and finished at 3.35 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.

21. **Declarations of Interest**

The following declarations of interest were made by Members in accordance with the code of conduct:

Name	Minute Number	Reason	Interest
Councillor Finn	Minute 28	Member of the Devon Audit Partnership Oversight Committee	Personal
Councillor Luggar	Minute 28	Member of the Devon Audit Partnership Oversight Committee	Personal

22. **Minutes**

The minutes of 25 July 2022 were agreed as an accurate record of the meeting.

23. **Chair's Urgent Business**

Under this item the Chair advised Members that volunteers were required for the Electoral Cycle Working Group; Members from other committees were also encouraged.

Members were to email the Chair if they wished to volunteer.

24. **Disclosure and Barring Checks for Councillors - Policy - To Follow**

With the agreement of the Chair, this item was deferred to a future meeting of the Audit and Governance Committee.

25. **External Audit Progress Report, Findings report 19/20 and Auditors Annual Report 20/21 - To Follow**

Paul Dossett (External Auditor) presented the External Audit Findings Report 19/20 to Members.

It was highlighted that –

- a) there had been a delay to the report for 19/20 due to ongoing discussions relating to the pensions transaction, but these discussions were nearing their end and should be resolved by the end of 2022;
- b) an issue was identified between CIPFA code on infrastructure assets and local authorities, and CIPFA's solution was not accepted by the Financial Reporting Advisory Board and now sat with DLUHC who, in the short term, would propose a statutory override;
- c) 19/20 was the last year that a value for money report was required, from then it moved to an Auditor's Annual Report, which would be presented at the next meeting.

In response to a question raised it was reported that, with regards to the statutory override, some timeframes could change due to political challenges, but if delayed indefinitely, local authorities could close accounts on a technical qualification.

The Committee agreed to note the update.

26. **Annual Governance Statement 2021/22 - To Follow**

Ross Jago (Head of Governance, Performance and Risk) presented the Annual Governance Statement (AGS) 2021/22.

Members were advised that the AGS was an annual report which included information upon the governance framework and system of internal control, a look back over 2021/22 including actions taken to address governance challenges as well as a focus for 2022/23, including major changes for the council such as changes to the integrated care system and reforms to adult social care.

In response to questions raised it was reported that:

- (a) the Annual Governance Statement accurately reflected the financial position the Council was in. It was reported in the Medium Term Financial Plan a gap

higher than £20m for the financial year 2023/24 – this was reported to Council in February 2022. Since then a number of inflationary measures had been applied to the budget, including the energy price increases, the increase to diesel and petrol, and the proposed pay award for Council staff, all of which added a significant pressure. The Council was required to deal with these impacts and this was referenced in the report when stating: “there were significant gaps that currently exist in the council’s financial budget and therefore the prospect of obtaining a balanced budget would not be without decisions that would result in the reduction in services, the potential for cessation or deferral of some services and the reduction in planned headcount”;

- (b) reassurance was provided that the Council had robust governance structures in order to help deal with the impact of the current economic climate upon the Council (by reducing services, the potential cessation or deferral of services or reduction in the planned headcount), however if further governance was required then appropriate action would be taken;
- (c) the Council had previously taken advantage of cheap short term borrowing, and engaged in those transactions however with appropriate foresight a move was made to change to long term fixed rate debt – the Council was now in a positive position to deal with the current increase in interest rates;
- (d) the Peer Review was a regular item under consideration by the Corporate Management Team and was likely to be discussed at Performance Scrutiny.

The Committee agreed to approve the Annual Governance Statement, alongside the Statement of Accounts, prior to signature by the Leader, Chief Executive and Service Director for Finance (S.151 Officer).

27. **Scrutiny - Risk Management Update - To Follow**

Ross Jago (Head of Governance, Performance and Risk) presented the Scrutiny – Risk Management Update report.

The following key points were highlighted:

- (a) the report itself was in response to Councillor Lowry’s request at the previous Audit and Governance Committee to ensure that scrutiny panels were considering risk as part of their workload; it was confirmed that all scrutiny committees received a cut of the strategic risk register (relevant to the panel’s TOR) and used that to populate their work programme;
- (b) due to the recent period of mourning for the Queen, several scrutiny committees were moved into October therefore there was little to update however a fuller report would be provided in November;
- (c) Members of the Health and Adult Social Care Overview and Scrutiny Committee used the risk register to identify some issues with the adult social care reforms and were looking to the cost of care work.

Members did not have any questions.

The Committee agreed to note the update report.

28. **Audit Actions Review**

Paul Looby (Head of Financial Planning and Reporting) presented the Audit Actions Review report.

Key points highlighted included:

- (a) there were no outstanding external audit recommendations contained within the report;
- (b) the first pie chart in the report presented a breakdown of recommendations detailing those that were fully implemented, partially implemented, or outstanding; table one gave a breakdown of the status of recommendations, and table two identified internal audit recommendations that had not yet been implemented;
- (c) the 36 actions that were overdue would be pursued by management and an update provided at the next meeting.

In response to a question raised it was reported that –

- (d) in terms of workload of the 47% of outstanding actions that were yet to be completed, it was a mixed bag in terms of when they were to be finalised. Resourcing issues and the complexity of actions, were affecting completion. Actions were always associated with a timeline and some required significant project work to deliver. It might be helpful moving forward to begin tracking the metrics that were presented in the report to see how many delivered and outstanding over time.

The Committee agreed to note the content of the report.

29. **Internal Audit Progress Report**

Brenda Davies (Audit Manager) presented the Internal Audit Progress Report.

The following key points were highlighted:

- (a) the report detailed the progress of the work of the team against the Audit Plan agreed by the Audit and Governance Committee in March 2022; the additional number of grants administered by the team in-year totalled 25 whereas last year for the whole year totalled 23. This was indicative of the work of the authority and the success they have had in attracting new money which was to be celebrated;
- (b) because of the current changes in the financial environment and budgetary pressures the Audit Manager was to meet with the Corporate Management

Team to review the items in the Audit Plan to establish if the risk profile had changes – that would be reported back to the committee.

In response to a question raised it was reported that –

- (c) figures detailing the time spent by officers in administering covid grants would be provided to Members.

The Committee agreed to –

- (1) note the findings within the report;
- (2) Request that figures detailing the time spent by officers in administering covid grants would be provided to Members.

30. **Whistleblowing Policy**

Brenda Davis (Audit Manager) presented the Whistleblowing Policy.

The following key points were highlighted:

- (a) the Whistleblowing Policy was presented to the Audit and Governance Committee on a regular basis – changes made to the policy were highlighted in red text in the report;
- (b) the policy and the changes were discussed with trade union leaders, HR, Legal Services and the Cabinet Member;
- (c) reference to the Nolan principles were included in the policy as well as protected characteristics (however this sat outside of the policy so signposting to grievance resolution policy was included).

In response to questions raised it was reported that:

- (d) Members were always incorporated into the Whistleblowing Policy – the addition in the report to section 1.3 was to make it clear that where the event that was being complained of concerned a Councillors behaviour, it was properly dealt with through the Standards regime other than Whistleblowing;
- (e) key contact information was contained at the back of the policy as to where support/ advice could be sought;
- (f) the report set out that the preference was to people to blow the whistle early on within their line management. Councillors' conduct was to be dealt with through the Standards regime – if a complaint was made regarding a Councillor that was acting in their capacity as Councillor then it wouldn't be considered under the Whistleblowing Policy. If someone wanted to make a complaint about a Councillor and at the time they weren't acting in their capacity as a Councillor then it would be considered under the

Whistleblowing process;

- (g) the current Whistleblowing Policy would stand until the newly amended version had been agreed by Members, therefore there was an opportunity to further consider the impact upon Members and for Officer to provide clarification.

There were concerns that Councillors may lose their right to whistle-blow, and that further information upon whistle-blowers and how they were protected from victimisation should be considered.

The Committee agreed to defer the Whistleblowing Policy.

31. **Treasury Management Outturn Report 2021/22 - To Follow**

Brendan Arnold (Service Director for Finance) and Wendy Eldridge (Principle Technical Accountant) presented the Treasury Management Outturn Report 2021/22.

The following key points were highlighted:

- (a) the Treasury Management Outturn Report was delayed due to staff shortfalls in the finance department;
- (b) Table 1 established the level of borrowing needed by the council given the amount of schemes it had that were fit for borrowing and to make sure the council didn't borrow unnecessarily;
- (c) Table 2 described the Council's borrowing activity, specifically where borrowing had come from, and also showed the position at both the start and end of the year; the table set out where the Council took advantage of low interest rates that it could secure over a longer term (in this case 50 years with the Public Works Loan Board) – this gained rates ranging from 1.37% to 2%;
- (d) the Council showed a reduction in its borrowing activity from £628m to £577m – the Council had addressed some of the interest rate risk;
- (e) Table 3 set out where the council had its investments; overall the Council's investments had increased from £97m to £101m through improved valuation of pooled funds;
- (f) Table 4 provided a summary of the treasury management outturn position and summarised the impact on the revenue ledger;
- (g) page 11 of the report set out the prudential indicators – all activities had been delivered within these. These indicators encouraged councils to look in detail at the cost of their capital investment and treasury management activities and ensure they were funded by the revenue account. The council was required to set limits around that activity and if limits were breached there was an opportunity to consider the wider affordability of plans to be

pursued. The council was sitting within the prudential indicators and the burden was acceptable and affordable to the council.

In response to questions raised it was reported that –

- (h) the council was carrying large cash balances because of the receipt of grants or receipt of other monies coming in from Government – as at 31 March 2022 a lot of covid grants had already been received;
- (i) the interest rate credit swap would be shown in the short term borrowing section; the interest rate heading arrangements would be more noticeable in future reports however was referenced to in the written report;
- (j) all liabilities associated with long term debt and financing the of capital programme were closely monitored – through the medium term financial process the Council carefully assessed what was affordable to establish what the Council's future liabilities would be. Plymouth City Council had an unusually a high proportion of capital spend financed by capital grants. The approved programme was approximately £400m and of that capital borrowing was £80m;
- (k) in light of the outturn provision, the transfer for reserves were entries on those which might affect the outturn position for 21/22;
- (l) it was considered appropriate that an interim statement on Treasury Management should be provided to the committee in the future.

The Committee agreed –

- (1) to note the Treasury Management Annual Report 2021/22;
- (2) recommend the Treasury Management Annual Report 2021/22 to Full Council for approval;
- (3) that an interim statement on treasury management activity is provided to the committee going forwards.

32. **Statement of Accounts 2021/22**

Brendan Arnold (Service Director for Finance) presented the Statement of Accounts 2021/22.

The following key points were highlighted:

- (a) there were potential further adjustments that would need to be made to the Statement of Accounts when going through the process of reaching a final audit opinion. The two principle issues were the valuation of infrastructure assets, and the addition of the accounting arrangements agreed to deal with the Miel pension transaction;
- (b) it was for Members to take assurance that the Council had a competently put

together a set of financial statements and that Members could exercise challenge on the report if required;

- (c) grant funding was referred to in this report, as well as detail about revenue and capital grant funding.

In response to questions raised it was reported that –

- (d) a hard copy of the statement of accounts 2021/22 would be made available in Members Group rooms;
- (e) a note would be published on the Council's website detailing that the Statement of Accounts would not be finalised until audited and that this was reliant upon the audit of the Council's 19/20 and 20/21 accounts being audited first;
- (f) a meeting would be arranged for the following week between officers and the Chair and Vice Chair to discuss any potential arising issues from the accounts.

The Committee agreed –

- (1) to approve the Statement of Accounts for 2021/22 (attached as Appendix B to the report) with the understanding that they are currently being audited by GTUK. Should any issues be identified during the GTUK audit Members are asked to delegate the approval of the Statement of Accounts to the Chairperson of the Audit and Governance Committee, in consultation with the Service Director for Finance;
- (2) that the Chair and Vice Chair would meet with relevant officers to discuss the detail of the accounts and any potential issues that may arise.

33. **Tracking Decisions**

Brendan Arnold (Service Director for Finance) advised Members that the tracking decision that made reference to Ken Johnson meeting with the appropriate Cabinet Member regarding fraud activity was complete as this meeting had now taken place.

The Committee agreed to note the tracking decisions update contained within the agenda.

34. **Work Programme**

Under this item Paul Dossett (Grant Thornton) advised Members that the external auditor's annual report for 20/21 and 21/22 would be scheduled for the November Audit and Governance Committee.

The Committee agreed to note the work programme.

Under this item the Chair wished Brendan Arnold (Strategic Director for Finance) good luck and farewell prior to him leaving the Council.