

# **Audit, Compliance and Governance Committee**

**Wednesday, 20th April, 2022**  
**6.00 - 7.40 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Paul McCloskey (Chair), David Willingham (Vice-Chair), Matt Babbage, John Payne and Richard Pineger
<b>Also in attendance:</b>	Paul Jones, Gemma Bell, Emma Cathcart, Lucy Cater and Alex Walling

## **Minutes**

### **1. APOLOGIES**

Apologies were received from Councillors Clucas and Stafford.

### **2. DECLARATIONS OF INTEREST**

There were none, but Councillor McCloskey put on record his non-executive directorship of Publica.

### **3. MINUTES OF THE LAST MEETING**

Minutes of the meeting held on 12<sup>th</sup> January 2022 were approved unanimously as a true record of the meeting.

### **4. PUBLIC AND MEMBER QUESTIONS**

There were none.

### **5. AUDIT PROGRESS REPORT AND SECTOR UPDATES**

Alex Walling of Grant Thornton said the Auditor's Annual Report was presented at the last meeting, bringing the 2021 work to a close, and Grant Thornton is now in the process of planning for the final accounts audit for 2021-22. The next agenda item was the Audit Plan, and prior to that, initial planning work has been undertaken, taking into account internal work, the council's control environment, financial systems, and anything else which has arisen over the last year. Regarding value for money, this also takes into account financial sustainability, governance, and the three Es – economy, effectiveness, and efficiency.

She took the report as read, but highlighted that the 2021 audit work was complete (bar issuing the certificate which closes it down - this is expected in early summer), grant claims, and the audit work being undertaken this year. Based on work so far, there were no issues to bring to Members' attention. The audit finance report will be brought to November committee, and the Auditor's report will be completed after all the audit accounts work, ideally before December 2022 depending on the quantum of work.

A Member commented that the reports were well laid out as usual, but in the sector update, it would be helpful if there was a reflection on the implications of this for Cheltenham.

In response to a Member's questions, Alex Walling confirmed that:

- Grant Thornton was required under auditing standards to ensure its knowledge of the entity is up to date. This involved looking back at the last year to see what financial systems the council had in place, ensuring all documents were up to date, and making sure that the system was working as they were being told. They very much relied on previous years and their knowledge of that;
- regarding Grant Thornton's review of internal audits of the core financial system, external auditors were no longer allowed to rely heavily on internal audit work as in the past. Internal auditing was more concerned with ensuring controls were in place, whereas the external approach focussed on substantive, year-end testing. They had ongoing discussions about what internal auditors were doing and finding, but did not duplicate their work.

Members noted the contents of the update.

## **6. EXTERNAL AUDIT PLAN TO 31 MARCH 2022**

Alex Walling of Grant Thornton introduced the report, which set out planning work done to date, based on analysis and knowledge of previous years, and highlighting the headlines: group accounts, significant risks, valuation of land and buildings, materiality, value-for-money arrangements. She confirmed that the final visit will be between July and September, to be agreed with the finance team, and that proposed fees were being discussed with PSAA – she hoped to have a better estimation next month, but advised that the scale fees on the PSAA website had been woefully inadequate for the amount of work required over the last few years, and remote working, Covid, and expectations of regulators have all complicated matters.

In response to Members' questions, she confirmed that:

- auditing standards were revised recently, and put more onus on councillors to understand the estimates in the accounts. Finance teams produced accounts which were approved by Members, and it would be helpful for them to understand how the figures were reached. The Head of Finance, Property and Assets confirmed that training was in place post-election, adding that Agenda Item 13 was a report presenting the external risk assessment, key estimates, how these were reached, and controls, to ensure Members are happy with the estimates and consider them to be appropriately managed;
- more detail could have been provided regarding progress against the prior year – these will be included in the final accounts and audit;
- the MRP provision should not have appeared twice, and she apologised for this. Grant Thornton was engaged in ongoing discussions with the council about MRP, their view being that the council was not treating it in line with regulations, and further discussions were needed to bottom out the issue;
- INFLO is the software currently being used by the vast majority of Grant Thornton's clients in the private and public sector, including police clients. It makes it easier to interrogate the figures in a set way, via one central

- repository, thus avoiding duplication. It is a lot more sophisticated than some processes used in the past, and Grant Thornton are not aware of any breaches of security issues with this third-party IT system. A Member commented on the importance of ensuring that certificates are still in date and thus secure;
- it is good practice for management to challenge any information from third parties, such as the figures from the valuers, to ensure that there is evidence that these were looked at and were in line with what was expected, based on its knowledge and experience of Cheltenham.

The Head of Finance, Property and Assets said she would look into whether ICT can do anything to prevent blank journals from being processed.

The Director Finance and Assets noted that one of the recommendations as part of the VFM work was to refresh the whistle-blowing policy – this has been accomplished and is an agenda item at the meeting.

No vote was required on this item.

## **7. PROPOSED INTERNAL AUDIT PLAN 2022-23**

The Assistant Director SWAP said the plan had been drafted in consultation with Members, officers, the risks register, and items identified by the audit team. Finance, HR and ICT was always included, and under business grants, the council tax rebate, climate change, and carbon reduction had all been considered. She confirmed this is an agile rolling plan, not fixed in stone, and that the Charter is a standard document which explained the response for the internal auditors and CBC – there were no changes from last year.

In response to a Member's question, she confirmed that quarterly meetings of the Committee were adequate – the programme, although agile, did not need to be adjusted more frequently.

A Member commented that a limited number of committees occasionally convene in exempt session to consider serious allegations, for example against taxi drivers or concerning safeguarding issues, the nature of which may cause distress to both Members and officers. He asked that welfare provision available to staff be made available for Members on an ad hoc basis when dealing with such matters, to ensure they are fully supported in their role.

**RESOLVED** (unanimously) that:

- the Proposed Internal Audit Plan 2022/23 be approved;
- the Internal Audit Charter be approved.

## **8. INTERNAL AUDIT PROGRESS REPORT**

The Assistant Director, SWAP, advised that this item is presented at every meeting to update Members on the work undertaken by the internal audit team, as summarised in the report. This included summaries of reports concluded since the last meeting, and a summary of higher-priority agreed actions which had been followed up.

In response to Member questions, officers confirmed:

- audit work is presented as an agile rolling plan, with work still in progress feeding into the next year's report, though the team will finish as much of the work on the current audit plan as possible in the next 6-8 weeks;
- regarding resources, SWAP now has an external client team which called upon for extra assistance if needed, but officers are generally content with the team they have;
- following some good meetings with ICT officers, the ICT privileged account management audit is in draft report stage and will be finalised in time for an opinion; some useful ideas for next year's ICT audit have also been put forward;
- to ensure emergency planning work is adequately covered, the executive leadership team was mindful of the workload previously falling on one individual when considering the new organisational structure. The DEPLO and deputy DEPLO will be supported by a number of staff members who have volunteered to be part of the emergency planning team.

A Member questioned whether responsibility for the risk register should lie with Audit, Compliance and Governance or Overview and Scrutiny. The Executive Director Finance and Assets confirmed that this issue had been picked up in the external audit, with the recommendation that it must be regularly reported and Members need to agree to which reporting committee it should come – either of the above, or Cabinet. One Member suggested that all three of those bodies needed to see the risk register for different reasons, to ensure that processes were being followed.

Members noted the contents of the report.

## 9.

### COUNTER FRAUD AND ENFORCEMENT UNIT REPORT

The Head of Service, Counter-Fraud and Enforcement Unit presented the regular update report, with details of work undertaken in the last year – in particular on business grants and the associated risks over payment recoveries, and more recently work on Omicron activities – helping with verification of anomalies and mandatory pre-payment checks. The national fraud initiative matches are still awaited – due at the beginning of April – relating to grants paid between November 2020 and April 2021. Information of the usual single person discount anomalies and council tax support investigations is on-going, and there will be an increase in DWP referrals as they get back on track with benefits work. The CBH housing list has just been received, and will be worked on in Quarter 1 to ensure the right people are on the waiting list.

One Member thanked the team for its work, commenting that the figures - £45,594 as a result of corrected single person discount anomalies, £3,909 from council tax support, £37,450 loss avoidance from the right-to-buy scheme, a prosecution for housing application fraud – showed the value of the work being done, and reinforced the message that the council was cracking down on fraud in Cheltenham.

In response to Members questions, the officer responded as follows:

- the team provides support services for the whole council, and will always help with enforcement activities where needed, including illegal evictions, licensing prosecutions, fly tipping etc;
- the team is asked to undertake disciplinary investigations for gross or serious misconduct, which includes a multitude of issues, not just financial matters. More information on the three cases set out in the report can be provided if Members wish.

Regarding the annual update which the team is required to provide on communications data requests and surveillance, this is quite self-explanatory. Members have seen and approved the policies; the procedure sitting behind the policy on the use of the internet and social media is quite involved and still being sorted out. Details of applications and records are included, and in addition, an annual meeting will be held with the Chief Executive to update on activities and provide an oversight of all related activities at the council.

The contents of the report were noted by Members.

#### **10. ANNUAL REVIEW OF CODE OF CORPORATE GOVERNANCE**

The Executive Director Finance and Assets apologised that the (Ann Wolstencroft) was not at the meeting to present her report, but advised that any questions he could not answer would be passed on to her and written responses provided. He confirmed that the Code of Corporate Governance ensured that the council conducted its business in accordance with the law and proper standards, and that public money used properly and effectively.

In response to a Member question, he said he could not confirm how many updates had been added to the previous issue of the report, but would ask the report author to provide a track change version if possible. Another Member commented that many documents don't incorporate version control, and that this would be a sensible way to move forward.

A Member welcomed that requirement that Members and staff demonstrate a strong commitment to the rule of law, and also the balancing of feedback from more active stakeholder groups with other stakeholders to ensure inclusivity, saying it was sometimes too easy to take on board the view of the noisy few.

#### **RESOLVED (unanimously) that:**

- the 2021/22 draft Annual Governance Statement be approved.

#### **11. ANNUAL GOVERNANCE STATEMENT**

In response to Members' questions, the Executive Director Finance and Assets confirmed that this was a working document which would come back to the Committee at number of times to ensure Members were confident that the right issues were being captured. A very succinct final version would be signed off by the Leader and the Chief Executive.

A Member noted the reference to the Joint Core Strategy, stating that this is now known as the Joint Strategic Plan.

#### **RESOLVED (unanimously) to:**

- approve the draft 2021/22 Annual Governance Statement.

## **12. APPROVAL OF REFRESHED WHISTLE-BLOWING POLICY**

The Head of Service, Counter Fraud and Enforcement Unit introduced her report, outlining the updated whistle-blowing policy which included some very minor changes to ensure it was still fit for purpose. These included signposts for individuals to go to independent bodies for advice, and a suggested flow chart for the intranet to make the process easier for staff. She confirmed that after the policy was adopted, training could be rolled out for all staff, giving them confidence in the process.

A Member wondered if a double negative in Paragraph 1.6 of the report - '*staff are not prevented...*' would be better expressed as '*staff are encouraged...*'.

In response to a Member's question as to whether an employee who raises a grievance about being bullied, harassed or victimised by another member of staff could be said to be acting in the public interest, as required by the policy, the officer confirmed that the intention is to avoid any vexatious claims, and that a grievance must be based on a concern that a staff member is doing something wrong – abusing his/her position, acting fraudulently etc. This statement can be enhanced to ensure that staff are comfortable bringing up legitimate grievances, and that these will be dealt with in the correct manner.

Members agreed on the importance of the policy as part of the way the council operates. The policy will run till 2025 and be publicly accessible.

### **RESOLVED (unanimously) that:**

- the Policy attached to the report be approved and adopted; and
- the Executive Director Finance and Assets be authorised to approve future minor amendments to the Policy in consultation with the Counter-Fraud and Enforcement Unit, Human Resources, One Legal and the appropriate Cabinet Member.

## **13. INFORMING THE EXTERNAL AUDIT RISK ASSESSMENT 2021/22**

The Head of Finance and Assets thanked the Counter Fraud and Enforcement Unit team for its contribution to the fraud risk assessment. As outlined by Grant Thornton, this had been an opportunity for officers and the finance team to reflect on any change in risks, that needed to be considered in the statement of accounts. The document summarised the thought process and assessments made around laws and regulations, changes to accounting policies, the CIPFA code, any related parties, and particularly the accounting estimates in the statement of accounts and controls in place to make sure uncertainties around those estimates are managed as well as they can be.

She confirmed that no decision from Members was needed, but that any implications from the assessment would be reflected in the draft statement presented to the committee in July.

In response to a Member question regarding the valuation of pension fund liabilities, she stated that the actuary's detailed report was subject to review and challenge by managers, and the effect of the pandemic and climate change on mortality would be carefully scrutinised before being presented in the draft statements.

She also agreed that abbreviations and acronyms would be fully explained in future reports.

The contents of the report were noted by Members.

**14. REVIEW OF 2020/21 ACCOUNTING POLICIES**

The Manager of Finance and Assets corrected the agenda – this item should be titled ‘Review of 2021/22 Accounting Policies’, the accounts currently being closed down to prepare. She said this is a draft which, once agreed, will be audited by Grant Thornton and presented in the final statement of accounts. Accounting policies have been reviewed based on the changes to the CIPFA code – there have been no significant changes compared to the previous year, so the recommendation is for Members to note the content of the draft policies and make any comments as necessary.

In response to a Member question, she confirmed that the recommendation around MRP doesn't fundamentally change the wording of the account policies.

Members noted the contents of the draft accounting policies.

**15. WORK PROGRAMME**

The Chair invited any comments on the work programme for upcoming meetings. The Director Finance and Assets advised that, as the accounts regime had been pushed back, it was unlikely that the accounts would be ready for the July meeting and would need to be considered at the September meeting. An additional meeting in November would then be required to meet the requirements of the external audit.

He confirmed that in view of the delayed timetable, a similar situation was likely to recur in the next couple of years, and it might be worth considering cancelling the July meeting, and adding a November one instead. The Chair said he will work with Democratic Services to make the necessary changes.

**16. ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION**

The Chair asked Members to consider how to improve the way the Committee works, and make suggestions via email of any ways to ensure its smooth running and efficiency.

A Member commented that Grant Thornton PDFs are not searchable and asked that this be resolved.

**17. LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION RESOLVED THAT**

in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to

them exempt information as defined in paragraphs 3 & 7, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Paragraph 7: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

**18. EXEMPT MINUTES**

The exempt minutes of the meeting held on 12<sup>th</sup> January 2022 were approved unanimously as a true record of the exempt item.

**19. DATE OF NEXT MEETING**

Paul McCloskey  
**Chairman**