

Audit, Compliance and Governance Committee

**Wednesday, 13th July, 2022
6.00 - 7.05 pm**

Attendees	
Councillors:	Paul McCloskey (Chair), Matt Babbage, Adrian Bamford, Graham Beale, Tabi Joy, John Payne and Tony Oliver (Reserve)
Also in attendance:	Paul Jones, Emma Cathcart, Darren Knight, Lucy Cater and Alex Walling

Minutes

1. APOLOGIES

Apologies were received from Councillor Willingham. Councillor Oliver was present as a substitute.

2. DECLARATIONS OF INTEREST

There were none.

3. MINUTES OF THE LAST MEETING

The minutes of the previous meeting were approved and signed as a true record, with the correction of one typographical error on Page 2.

4. PUBLIC AND MEMBER QUESTIONS

There were none.

5. EXTERNAL AUDIT PROGRESS REPORT

Alex Walling (AW) of Grant Thornton presented her progress report, highlighting the following:

- the initial planning for the financial statements audit was complete, and the final accounts audit would commence once the draft statement of accounts was ready – expected at the end of the month;
- the Department of Levelling Up, Housing and Communities had now officially extended the deadline for auditing accounts to the end of November, and Grant Thornton were working to this deadline;
- CBC had a material amount of infrastructure assets, which CIPFA described as a complex and serious issue. This held up the audit of accounts for 2020-21 for a number of large authorities, and Grant Thornton were awaiting the outcome of the consultation document;
- the first value-for-money commentary was done last year, and work was about commence on the same for this year, as well as certification on a number of claims and returns for the council;
- the key deliverables which Grant Thornton was required to produce under the code of audit practice had not changed since last time, and were set out in the report, together with an update on anything outstanding from 2021. The key thing here was the certificate that closed down the audit for a

particular year, after which it couldn't be reopened. Grant Thornton were awaiting instruction from central government, with certificates held up across the country;

- regarding audit fees, as reported previously, discussions were taking place at national level with the PSAA who regulated contracts and oversaw fees as to what was reasonable. The proposed fees for 2021-22 were set out, similar to previous years, and taking the scale put together by PSAA and adding in areas which took longer, due to changes in auditing standards, new requirements, value-for-money work and so on.

Member questions

The following issues arose from Members' questions:

- infrastructure assets had not been mentioned or registered prior to the recent consultation document, and were more a concern for county/unitary councils, focussing on highways, roads, streetlighting etc. AW confirmed that in Cheltenham, it related to cycle paths, for example and said the issue with infrastructure assets was that although a road didn't depreciate in value, it needed updating and maintenance over the years – but as this didn't actually increase its value, the amount of infrastructure assets on the balance sheet increased over the years but the value of the roads wasn't equal to what showed on the balance sheet. It was a hugely complicated area. A Member agreed, saying that the value of a road was not only its material value but its contribution to the economic livelihood of the area, which is difficult to quantify. The Executive Director for Finance and Assets confirmed that Cheltenham's biggest infrastructure asset was the Honeybourne Line and the road at the cemetery is the newest, which is part of the business plan so we know its cost and value over the years. The Head of Finance and Assets and her team would be working closely with Grant Thornton to ensure CBC remains compliant and future-proof;
- regarding the extension of the deadline for the financial statement audit, AW confirmed that this had been moved forward from December to 31 July prior to Covid but, for a number of reasons – fewer public sector auditors, more complicated accounts, more risk – no one was hitting this or the subsequent 30 September deadline. The deadline had therefore been moved back to 30 November. She added that Grant Thornton would probably be able to give an opinion on CBC before that;
- the difference between the gross book value of infrastructure assets (£14m) and the net book value (£10m) was due to depreciation. This was not an issue, being a material figure from Grant Thornton's perspective which they will focus on as part of the audit;
- regarding the value-for-money commentary, this was included for the first time last year, and the work this year gave a year-on-year comparison, showing whether this had improved or not. It was important to follow the recommendations made last year, to show the current picture and see if these had been implemented. A Member felt that the agenda items didn't make it clear whether CBC was getting better as an organisation – there was no sense of momentum.

The Chair confirmed that Members noted the contents of the report.

6. INFORMATION REQUESTS ANNUAL REPORT 2021-22

The Executive Director for Place and Communities explained for the benefit of new Members that freedom of information (FOI) requests had been introduced

to foster a culture of openness in the public sector, by obliging local authorities to proactively make information available and giving the general public the right of access to information held, with some exemptions, such as information which was commercially sensitive. There was also environmental information regulation (EIR) which was very similar but focussed on health and safety policy, recycling and so on.

He highlighted that 92% of requests received 2021-22 had been responded to within the requisite 20 days, with performances of different departments and teams set out in the report. The overall performance was very solid. As background, he told Members that CBC had one fully-qualified customer relations officer, and was looking to get another member of staff qualified too. The council received hundreds of requests, covering all services, which were responded to fully and promptly, but where this wasn't possible, customers were notified and their expectation was managed. Only nine requests were referred to the Information Commissioner's Office (ICO).

Member questions

In response to questions from Members, the Executive Director for Place and Communities confirmed that:

- in order to provide a sense of direction of travel, and how the number of FOI requests compared with previous years, the annual response rate could be included in future reports, and the overall response rate by financial year. He said numbers tended to be quite consistent, but were very diverse – not just from members of the public, but also from business, media, students, for many different reasons;
- the small discrepancies on the tables were typos and would be corrected; **[Note: these were subsequently explained by the report author - the difference in the number of FOIs in the tables arose from cases where the requester had been asked to clarify their request and hadn't responded; the first table included the requests where clarification had been requested and the second table excluded them.]**
- a full response to a request is required within 20 days, not just an acknowledgment;
- the reason why the Planning response is lower than expected is due to a number of factors – three interim Heads of Planning in a short space of time, lack of capacity and continuity, and a large increase in planning-related enquiries and the huge amount of information which is frequently required. The new Head of Planning was permanent and full time, and was aware of the 2021-22 performance, and this would improve next year;
- he would find out how many requests were rejected as too onerous or not relevant. If exempt information was requested, an exemption reason would be needed, which the person requesting the FOI could appeal.

No vote was required on this item.

7. INTERNAL AUDIT OPINION 2021-22

Lucy Cater of SWAP (LC) said the report was a summary of work conducted by the internal audit team on behalf of CBC, and highlighted the following:

- no significant risks were identified; if there were any, these would be added to the annual governance statement for follow-up next year. A number of reviews – assurance and advisory work – had been conducted, and

auditors were aware of a number of recommendations outstanding from 2021 which they would continue to follow up along with recommendations made for 2021-22;

- nine substantial audits had been offered, and eight reasonable, plus a number of agreed actions which would continue to be followed up with officers;
- the opinion formed part of the annual statement of accounts and fed into the annual governance statement;
- the report offered low-substantial assurance on work undertaken – the same as last year. LC said she would send last year's opinion to Members for comparison;
- it was difficult to say whether performance had improved or got worse in some places as SWAP don't carry out the same audit every year;
- no significant corporate risks were identified; there were a number of recommendations and priority 2 recommendations, which SWAP team would continue to follow up during the year, ensuring good communication with staff to make sure this was done;
- SWAP always worked hard to add value with any piece of work and had completed 88% of the audit plan when the report was drafted, with 6% in progress or review, and two pieces of work now concluded – these would be brought to the next meeting.

Member questions

In response to Member questions, LC confirmed that all data in the table was correct, and she would confirm what was meant by 'ethics-related objectives', referred to on Page 37.

One Member, while happy to note that everything in the audit was in the main satisfactory, felt that by not comparing the same function each year, we did not track the performance of the council, and wondered if this might be considered in future years. LC said this issue was frequently discussed by her team, and was complicated by the fact that her team could only look at an element of each system, with the aim to give full assurance over three years.

The Executive Director for Finance and Assets said the council purchased a limited number of days from SWAP each year, and the purpose of ACG Committee was to agree the programme once a year. He said the audit was split into a number of elements – risk-based, regular and cyclical. For example, revs and bens was risk-based and had high potential for fraud, and was routinely audited; treasury management/finance, which undertook multi-million pound transactions on a daily basis, was reviewed regularly to ensure segregation of duties and internal controls; and, for example, a committee request for an end-to-end audit of car park function was cyclical – if this came out with a substantial assurance, it was not good use of resources to reproduce annually, and may be picked up after four years, but if it came back with an adverse opinion, it would be included in the following year's audit plan to make sure all recommendations were put in place.

In response to further questions, LC confirmed that:

- regarding accounts receivable, there was no need for the committee to be concerned at present; there had been some issues around agreed actions

with Publica, but these would be followed up and an update brought to the next meeting;

- regarding the committee's role in ensuring that agreed actions were undertaken and achieved, Priority 2 agreed actions had previously been included in the usual progress report, but this was going to change going forward, with all outstanding prior-year agreed actions included (and whether/how many times these were deferred), and a list of current-year agreed actions and progress, so presenting full information on agreed actions in the system.

The Director for Finance and Assets confirmed that there were controls in place and that prior to ACG committee, an internal governance group meeting was held, where LC could raise any issues. If the two executive directors were made aware of any audit recommendations not followed through, for example, they could intervene. The Executive Director for Place and Communities said that Clearview was used to ensure that all audit actions were captured, tracked and monitored, and that SWAP was very proactive if they felt that an action had not been progressed, allowing the executive directors to follow up immediately. He suggested that Members might benefit from a demonstration of Clearview to see the journey.

No vote was required on this agenda item.

8. WORK PROGRAMME

LC said that the chief executive of SWAP would like to attend a future meeting; she would work out the best date and let DSU know.

One Member asked whether risk and risk management was an Audit, Compliance and Governance (ACG) committee function, or one for Overview and Scrutiny (O&S), saying he would like to see the risk register. The Executive Director for Place and Communities said risk policy was the responsibility of ACG and the council's Head of Performance brought this to the committee for review and approval, currently annually although this might not be too frequent. The committee could look at the risk register if it wanted. There was a slight cross-over with O&S: ACG was concerned with process, control measures, policy, how risks were managed and controlled, while O&S looked at risks and selected any which it may want to investigate more deeply. The risk sat with ACG, but O&S had a critical role in risk oversight.

The Chair said he would like to understand better the council's attitude to risk, and what decided whether a risk was low and substantial or high and reasonable. He realised there was a finite number of audit days available, but wondered how CBC could get the best value for money. The Executive Director for Place and Communities said the risk appetite came from Cabinet and/or Council, depending on the decision being made, and that every report included a risk assessment. More effort had been put into risk management over the last few years: the Head of Performance spent more time on this; two members of staff were qualified in management of risk; the introduction of Clearview, which managed the risk register with scores based on raw risk, original risk, control measures and review date, was looked at by the senior team on a monthly basis.

He said risk arose from different perspectives: project risks (on Clearview); risks arising from horizon scanning (political environment/social/legal); what was happening in the sector (such as another council experiencing problems having a potential impact on CBC); strategic risks (inflation, operational). Another element to risk was that councils operated very differently from 20 years ago, and it was important that for every report or business case, risk should be included as part of the information needed to make the right decision. He added that how good an organisation was at dealing with risk – risk maturity – was also key, and SWAP had been asked to do a risk maturity assessment for an independent view on how CBC manages risk.

He suggested that it would be advisable for ACG Committee to have a training session on risk and risk management.

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

There was none, though the Chair suggested the scheduled date of the next meeting – 27th September – may need to be changed, depending on how the external audit progressed. Members would be kept informed.

10. DATE OF NEXT MEETING

The next meeting is currently scheduled for 27th September, but may be re-scheduled – to be confirmed.

Paul McCloskey
Chairman