

Audit, Compliance and Governance Committee

**Tuesday, 27th September, 2022
6.00 - 7.15 pm**

Attendees	
Councillors:	Paul McCloskey (Chair), David Willingham (Vice-Chair), Adrian Bamford, Graham Beale, Tabi Joy, John Payne and Emma Nelson (Reserve)
Also in attendance:	Jaina Mistry, Paul Jones, Emma Cathcart, Jaina Mistry, Alex Walling, Harry Mayo and Judith Baker

Minutes

1. APOLOGIES

There were none.

2. DECLARATIONS OF INTEREST

There were none.

3. MINUTES OF THE LAST MEETING

The Chair noted two 'matters arising' as follows:

- SWAP's update on agreed actions with Publica – these were covered later in the meeting;
- Member training in risk management – this will be progressed by Democratic Services.

4. PUBLIC AND MEMBER QUESTIONS

There were none.

5. AUDIT PROGRESS AND SECTOR UPDATE REPORT

The paper was taken as read, with Alex Walling (AW) of Grant Thornton reminding Members that, as discussed at the previous meeting, the final accounts audit would be presented at an extraordinary meeting in November. She confirmed that:

- good progress had been made on the accounts audit, with a number of queries back with the council and waiting for group accounts. Once received, work on the final papers can commence;
- value-for-money work had commenced – this was not done until late in the year – and the Chair would receive papers explaining the delay in the next few days. There were delays in this area right across the sector, and discussion about the state of local audit regime in the whole country;
- an audit opinion on the accounts would be presented at the meeting at the end of November, subject to assurance from the pension fund

auditor (herself) and also to finding out what was happening around infrastructure assets - Grant Thornton hoped the government will come up with statutory override on this;

- the report set out the 2021-22 audit, although the 2021 audit was not yet closed down – the annual report gave an opinion on the accounts but closure of the audit cannot be certified because the material infrastructure issue, in common with other councils.

In response to Members' questions, AW confirmed the following points:

- there is a clear distinction between audit and advice, and the auditors' role is very clear – they cannot give financial advice or provide consultancy work to the council's finance team, regardless of the financial market's current turmoil. They are, however, in regular conversation with the finance team, and can update them with information from other local government audits, national information and so on, such as the likelihood of more councils issuing Section 114 notices because of financial pressures;
- Grant Thornton does not have direct discussions with ArlingClose, the council's financial adviser, but as ArlingClose provides advice to a number of local authorities, they are involved in some national discussions together. Grant Thornton have their own experts, who give advice around and verify the information ArlingClose gives to local authorities;
- in response to the recent consultation from the Department of Levelling Up, Housing and Communities, she was as surprised as the Chair to learn that audit committees were not compulsory for local authorities. While aware that some authorities already included independent members on their committees, she understood that there were some tensions between elected and independent members – how they were elected, by whom, how they fitted in, how useful they were etc. With so much else going on, she did not imagine that bringing this change forward would be a priority at the moment;
- through Grant Thornton's work with local authorities and NHS bodies, she was aware that internal audit work was often squeezed, with potential tensions around fees and number of hours, but Grant Thornton was not required to review internal audit work in detail, and she was not aware of any issues around capacity and ability to deliver.

The Executive Director for Finance, Assets and Regeneration confirmed that CBC has never requested a reduction in audit fees or days – the sums saved would be very small, and self-defeating. Unless directed by Council or Cabinet, he was committed as statutory officer to continue with the current arrangement.

In response to one further question regarding the difference between audit and risk assurance committees, AW confirmed that most of Grant Thornton's have an audit committee, with some also including governance, risk and other areas.

ARAC (audit and risk assurance committee) is a term used quite often in central government, which is why the term is used in the guidance from the National Audit Office, but the principles are generally the same.

The Chair confirmed that no vote was required, and that the contents of the report were noted.

6. INTERNAL AUDIT PROGRESS REPORT

Jaina Mistry (SWAP Principal Auditor) (JM) told Members that the latest progress reported set out work done since the last meeting: three pieces of work had been finalised, two with reasonable and one with substantial assurances. As requested, an update was attached, listing all outstanding recommendations and those completed. Since publication, two other recommendations relating to ICT had been completed, and a third one was almost complete, awaiting further evidence.

In response to Member questions, JM confirmed that:

- the reason why the report states that SWAP needs to focus on areas where the organisation requires assurance and the need for a more flexible, risk-based plan is because risk isn't always evident when the audit plan is agreed at the beginning of the financial year. If a risk emerges – through another council or nationally, for example – SWAP discuss with senior finance officers whether to investigate the area, and senior officers sometimes bring forward issues to look at. The core work – finance, governance, risk management – is always the same, with audit of operational areas more subject to change;
- if specific investigations are added, these will be identified and highlighted in the cover report to ensure Members of Audit Committee are aware;

The Executive Director for Finance, Assets and Regeneration gave the practical example of the 2020-21 audit plan, which had to adapt to cover COVID, lockdown, central government announcements, £50m business grants, test and trace, energy rebates and more, none of which were included in the plan but all of which needed to be audited, and were subsequently reported to the committee.

In response to further questions, JM stated that:

- on the Agreed Actions report, one of the Emergency Planning audits has now been closed, the other has an extended end date. Work continued on the others marked as 'ongoing';
- the term 'agreed' in the Status column meant that the particular service area had agreed with the audit recommendation and date by which it should be implemented. SWAP usually give a month's grace before looking for evidence that the work is being undertaken;
- the risk from climate change wasn't built specifically into the risk management draft report, which was more of a risk maturity

assessment, but climate change would be the subject of two different audits – the first being a strategic assessment, with an operational audit later on.

The Chair asked why, if the role and responsibilities of internal audit was to help the organisation to achieve its objectives as stated in the report, Members don't see the business plan and objectives linked to the audit workplan. With a finite number of days for audit, relating its work to key objectives of the council would seem a good idea. In response, the Executive Director for Finance, Assets and Regeneration said that the corporate plan sets out the council's overriding objectives with all the various strategies linked to a risk-based approach and looked at as a whole. The corporate strategy sets out main objectives but in challenging financial times, we may need to accept some risk in achieved the desired outcomes, for many reasons. CBC is a risk-aware authority, and this is taken into account when policies and strategies come forward to Council.

In response to two final Member questions, JM stated that:

- the Cyber Security – Incident Management audit 44560 was now complete;
- ICT – Vulnerability Management carried some sensitivities and was therefore redacted, but was listed as a Priority 2 recommendation – to be dealt with as quickly as possible but not considered a major weakness. As with all the agreed actions, SWAP will continue to ensure the recommendations are followed through.

The Chair confirmed that no vote was required, and that the contents of the report had been considered by Members.

7. COUNTER FRAUD AND ENFORCEMENT UNIT REPORT

Emma Cathcart (Head of Service, Counter-Fraud and Enforcement Unit - CFEU) (EC) said the report sets out information on the different pieces of work being undertaken, including business grants and energy rebate payments, both of which are coming to an end, and work on the upcoming risk strategy. Other significant areas are the National Fraud Initiative work relating to a review of anomalies in the single person council tax discount, almost complete, and checks and verification activity with Cheltenham Borough Homes including a review on the housing waiting list.

Members thanked EC and her team for the excellent work they do in recovering large sums of money, or preventing it from being paid out in the first place, which was extremely valuable to the council.

In response to a question from a Member, EC confirmed that:

- in view of the current cost of living crisis, she was not aware if there was any ongoing work relating to how this might affect staff with access to sensitive information. She said that from a fraud point of view, risks were flagged for any big project, particularly when asking staff to handle cash.

The Executive Director for Finance, Assets and Regeneration added that this was a very emotive subject which had to be dealt with sensitively. The Executive Leadership Team (ELT) as fully aware that there were issues in the workforce and that many people were struggling. Service managers had been briefed regarding flexible working, and ELT proposed a pay offer of £1925 to all staff as the fairest way – currently in consultation with the unions. ELT is also looking at a commitment to pay an additional 40p an hour to lift the lowest pay band to the new national living wage of £10.90, and is looking at increasing mileage payment from 45p to 50-60p a mile, without incurring tax implications. A number of well-being surveys are being undertaken to ask staff what practical measures the council can take to help.

In response to further Member questions, EC confirmed that:

- to create a counter-fraud culture, as mentioned in the report, the CFEU has for several years been working hard on making fraud risk relatable to staff, helping them to understand how it affects their areas, encouraging them to take any concerns and worries to their line manager/ELT/CFEU team. Most people in the council want to do good for the public but there is always someone who might take advantage or exploit a loophole. CFEU works hard to make itself part of the council, feeding into different projects and working alongside officers. Fraud risk is in everything, and hopefully the change in culture makes everybody aware of this;
- home working in remote locations is not considered to increase the risk of fraud or the ability to detect it – someone intent on committing fraud will do it anywhere, find a loophole and exploit it. It is all a question of interaction and balance, understanding teams and with whom the CFEU team need to work. Systems can be interrogated to see if someone is logging on and working when they say they are, for example, and the key issue is to raise awareness among staff and ensure they know what to look out for and who to go to if they are suspicious;
- educating staff is the best way to minimise the potential risk of inadvertently sharing data with other people, and working with ICT on acceptable use which staff sign up to. They have to be responsible, to protect the integrity of what they are doing in the new agile working system, though people doing things they shouldn't can never be completely ruled out;
- the housing team is very amenable to CFEU recommendations that people be downgraded or removed from the housing list, looking at these carefully and feeding back whether this is due to human error or any other reason. There has been a huge drive this year with a social housing client, looking at how best to interact in getting properties back. Tenancy fraud is a significant issue which affects lots of areas, and CFEU tries to get them on board as well to ensure housing is going to the right people.

The Chair confirmed that no vote was required on this item.

8. COUNTER FRAUD AND ENFORCEMENT UNIT FRAUD RISK STRATEGY AND UPDATE

The Head of Service, Counter-Fraud and Enforcement Unit, explained that the fraud risk strategy grew out of the fact that the majority of councils recognised in their corporate risk register that fraud is a risk; the strategy sets out to make this more relatable for different service areas, in view of the wide range of council activities. The overarching strategy outlines the approach, and the next stage will be to complete checklists for individual councils and put together a timetable for creating fraud risk registers. This will start with high risk areas – procurement, revenues and benefits, housing – making staff more alive the fraud risk in their area, resulting in a more comprehensive risk register. It is a significant piece of work to deliver, and there is a need to be realistic about the timetable and not put additional pressure on different services. The team has started looking at the vetting and recruitment risk for Human Resources – thinking about this when recruiting, ensuring the person turning up for the job as was interviewed, checking ID etc. This type of work is more relatable and useful for different services.

The Chair looked forward to an overview of how the whole process works through risk management training for Members. He was amazed at the number of bullet points in the checklist, and thanked the CFEU team for all the work that had gone into it, and the huge benefit which would arise from the reduced amount of crime.

He confirmed that no vote was required.

9. UPDATED COUNTER FRAUD AND ANTI-CORRUPTION POLICY

The Head of Service, Counter-Fraud and Enforcement Unit, said this was a straightforward item, a review and refresh of the Counter-Fraud and Anti-Corruption Policy, with new additions highlighted in red. The review reflects the changes in the unit, which has grown since the policy was first written, captures how it sits in the organisation, and includes a paragraph on modern slavery.

A Member said it was very important that the council's zero tolerance to fraud was recorded in the policy, and the Chair was happy to note that the policy is clearly working and has been updated in line with latest strategies.

No vote was required on this item. It will now be considered by Cabinet.

10. WORK PROGRAMME

The Chair noted that the Annual Review of Risk Management was currently scheduled for the January meeting, having been pushed back three times. He welcomed the opportunity to consider risk management, and suggested that this be combined with Member training.

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

There was none.

12. DATE OF NEXT MEETING

The next meeting is scheduled for 23 November 2022 – an extraordinary meeting to consider Grant Thornton’s final audit for 2021-22.

Paul McCloskey
Chairman