

# Cheltenham Borough Council Audit, Compliance and Governance Committee Minutes

**Meeting date:** 19 April 2023

**Meeting time:** 6.00 pm - 7.20 pm

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**In attendance:**

**Councillors:**

Paul McCloskey (Chair), Matt Babbage, Adrian Bamford, Tabi Joy and John Payne

**Also in attendance:**

Gemma Bell (Director of Finance and Assets and Deputy S151 Officer), Emma Cathcart, Lucy Cater, Alex Walling, Claire Hughes (Corporate Director and Monitoring Officer) and Ann Wolstencroft (Head of Performance, Projects & Risk)

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## **1 Apologies**

Apologies were received from Councillor Willingham. No substitutes were present.

## **2 Declarations of interest**

There were none.

## **3 Minutes of the last meeting**

The minutes of the meeting held on 24 January were approved as a correct record and signed accordingly.

## **4 Public and Member Questions**

None had been received.

## **5 Annual Review of Risk Management Policy**

The Head of Performance, Projects and Risks introduced her report, saying that the approach to risk management had been developed and embedded over the last two years, to include monthly discussions at leadership team meetings, operational discussions at team meetings, and comprehensive risk reporting on key projects to programme boards. Lessons learnt were being incorporated, and a recent SWAP audit of the process had graded it at 3/5. This will be repeated in a couple of years to show ongoing improvement.

She said the updated policy reflects name changes, such as ELT to LT, and increased reporting to Cabinet, Audit, Compliance and Governance, and Overview and Scrutiny, and development of the approach to risk management by assessing all controls, and checking what needs to be done to reduce risk.

A Member commented on how useful it was to have the revised document with track changes visible, and looked forward to receiving the finished version.

In response to Members' questions, the Head of Performance, Projects and Risks confirmed that:

- regarding the risk assessment for the risk management system and the suggestion that a score of 3/5 is quite low, this is based on where the council was without a robust system in place. It could be reconsidered following conversations with the Monitoring Officer and internal audit team if Members felt it to be appropriate;
- in addition to risk managers, there are risk control owners who own some of the controls; the report can be amended to reflect this.

A Member thanked the officer for a comprehensive report on an incredibly detailed process, but didn't feel that risk was sufficiently well embedded in our recent development. CBC's acquisition of buildings and businesses was adequately covered, but in new-build projects such as the MX and also the Cheltenham Trust, if the risks had been identified earlier in the process, subsequent problems could have been avoided. CBC was embarking on the massive project at Golden Valley, with huge financial implications, and the concern was that the risk management process doesn't address the issue of share responsibility for risk across contracts. Our very dynamic development partner will understand the risks, and CBC may be an unequal partner in the relationship. Clearview isn't adequate for this type of risk, and Overview and Scrutiny would like the Golden Valley team to report on a regular basis as potential significant financial issues have already been identified, and should be in the open to ensure that everyone understands.

The Monitoring Officer said that these were good points, but said the council is on a journey in developing its policy. There is still a way to go, particularly around embedding risk management in projects, but we are a lot better at managing risks than previously, having lessons over the past few years and months, and are definitely heading in the right direction.

The Chair agreed, and invited Members to vote on the recommendation. They unanimously voted to:

- **approve the updated Risk Management Policy.**

## **6 Audit progress report and sector updates**

Alex Walling of Grant Thornton began by apologising that the draft report had been circulated in error, but said it was 99% the same as the final version. She gave a brief summary, highlighting the following matters:

- progress on the 21-22 audit wasn't as far forward as she would have liked, due to receiving the group accounts late and to resource constraints. She hoped to focus on it from July onwards, but needed to have completed 99% on the work on it before starting the 22-23 audit;
- with value-for-money report for 21-22 outstanding, the plan was now to do one commentary covering two financial years, as was allowed under the code of audit practice;
- on the certification of claims and returns, housing benefit subsidy work was underway and would hopefully be completed by the end of the month;
- the review of the pooling of housing capital receipts return was due to start in May and would be discussed with the finance team;
- Grant Thornton and the finance team were meeting regularly to keep them informed.

In response to a Member's question, the Director of Finance and Assets confirmed that the full audit fees for 2022-23 were yet to be agreed, as in previous years. The scale fee was determined by the PSAA, with variations to that dependent on the level of work needed in different areas – for example value-for-money work, remote working, and infrastructure assets last year. This doesn't constitute a risk from a budgetary perspective, but the fee needs to be agreed by the deadline of 31 May, as an audit fee note will be part of the draft accounts.

Alex Walling confirmed that the PSAA sets a scale several years in advance and when additional items are added, the scale fee is adjusted accordingly. The proposed fees are agreed at the planning stage, and were shared with the committee as part of the audit plan, but as the audit gets underway, Grant Thornton will give an opinion about any additional fees or unforeseen complexities, which is sent to the PSAA and then back to committee for full transparency.

In response to further Member questions, she said that:

- it would not be possible to add an extra column to the table showing which accounts were published within six months of the target date over the last six years, as that information was held by the PSAA, not by Grant Thornton;
- the council was required to publish its draft accounts by 31 May this year, but these can be amended up to the point where Grant Thornton gives its opinion. The final accounts cannot be amended.

The Director of Finance and Assets added that the draft accounts on the website for 2021-22 are the most up-to-date version, with any changes between their publication last July and today incorporated. There are changes for different reasons at different states; for example, recent changes in the economy resulted in the valuation of the pension fund and pension fund liability and assets moving materially, and this would be added.

In response to a further question, Alex Walling confirmed that:

- the ongoing delays in the publication of local authority audit reports arose from the perfect storm of lack of resource and increasingly complex audits. Conversations on how this could be simplified were ongoing, with the regulator's expectation currently too great and focussing on big estimates - property, plant, equipment and pension figures - rather than what effects the man in the street. Being in a constant spotlight from the regulator puts people off and makes recruiting more difficult; it is frustrating for auditors not to be able to finish an audit.

The Chair raised the following matters:

- he liked the idea that key stakeholders needed to continue their efforts to secure improvements through effective engagement and good practice, suggesting that if the council wants to consider strategic planning, commercial awareness, contract management, for example, it may be that more meetings are needed as the complexity increases. The issues need to be owned and discussed in a forum or committee – or maybe one committee needed to consider how the different issues were being managed;
- regarding sustainability and climate change, a 2022 CIPFA article suggested that the finance profession would need to collect data from different professions to understand and challenge assumptions and projections, with a call from the government for urgent action. He suggested that reporting on climate change should be incorporated in the work plan for this committee or for Overview and Scrutiny. The Director of Finance and Assets said the challenge was for officers to think about the council's carbon footprint and continue to use assurance mechanisms to report against the climate change pathway. Members agreed that they cannot be proactive, just be able to demonstrate that the council is on a pathway to net zero and hold people to account as to whether they are doing enough.

The Assistant Director of SWAP reminded Members that the internal audit process now included a strategic climate audit, looking at how officers were meeting the goals the CBC has in place.

No vote was required on this item. The report was noted.

## **7 Internal Audit Progress Report**

The Assistant Director of SWAP said her report updated Members on work undertaken since the last meeting, including three final reports with substantial assurance, and a number of draft reports in progress to come to the next meeting. All agreed actions at Annex B are being followed up.

A Member congratulated officers running accounts payable and council tax/housing benefit, as they were clearly doing it very well.

The Chair wondered if it was fair to worry that no specific implications were reported under the environmental and climate change implications paragraph, in view of the council's climate emergency declaration. The Director of Finance and Assets advised that officer assessments of the implications of various reports was based on the recommendation rather than the attached information.

The Assistant Director for SWAP said she was awaiting information about Publica's mechanism for charging the council for work undertaken by Publica officers, and would update the Chair as soon as possible. She was unable to say what 'suppressed accounts' are – presumably these are accounts that are suspended for some reason, but she will find out and report back.

No vote was required on this item. Members noted the report.

## **8 Internal Audit Plan and Charter 2023/24**

The Assistant Director of SWAP confirmed that this draft document has been prepared following consultation with Members, the audit team, and Cheltenham officers who, as a result of client liaison, are talking to auditors and identifying risks within their service areas. The Plan is agile, with a framework of core audits to be undertaken – finances, governance, ICT – and a list of other areas to be looked at which will be assessed on the risk at a point in time, rather than planning for something long in advance which is later not relevant. That list includes climate change operational audit and potentially a climate change audit. Also attached is the Audit Charter which explains roles and responsibilities of SWAP, Committee and lines of communication. There is no change to this document, other than the date.

In response to Member questions, the Assistant Director of SWAP confirmed that:

- a programme of enquiry for the cyber park will be developed from discussions between herself and the executive directors and Director of Finance and Assets, together with anything officers pick up from their own client liaison meetings;
- to ensure financial understanding within the context of the project plan, the principal auditor has already started talks with the Director of Major Developments and Regeneration, and will remain in contact on all the projects he manages.

The Director of Finance and Assets added that the Golden Valley Development has its own register, and the starting point will be to look at how that is working, and highlight what would benefit from further information and assurance.

The Assistant Director of SWAP confirmed that they have enough resources to do a thorough job. The plan of work is huge, but being agile, if something isn't done it will remain in the rolling plan and be picked up the following year.

Members voted unanimously to:

- **approve the Proposed 2023/24 Internal Audit Plan**
- **approve the Internal Audit Charter**

## **9 Counter Fraud Unit report (inc RIPA/IPA update)**

The Head of Service, Counter Fraud and Enforcement Unit, introduced the report on the activities from her team. She apologised for not providing the work plan for 2023-24, which was currently being finalised. The report made reference to the additional work to be included, such as reviews relating to the single-person council tax discount and small business rates relief across the wider partnership. She highlighted the following:

- a multi-agency approach to fraud group has been created in Gloucestershire, recognising fraud as one of the most prevalent crimes facing everyone. The group is set up to improve prevention activities and raise awareness. This will include a session at CBC for all borough and parish councillors with the police PROTECT officer on 17 May 2023;
- the partnership fraud awareness leaflet for staff is complete, including information on high-risk areas and details regarding whistle-blowing;
- the team is nearing the end of the work regarding business grants, with the focus now on transferring the debt to BEIS;
- regarding NFI matches, the latest set of matches has been reviewed, mostly relating to single person discounts. Further work was being completed to better inform the lections team about any declarations of overseas voters;
- a webpage for the unit is under development, providing information about the unit, partnership and how it works;
- the annual update was referred to, relating to surveillance activities and IPA requests. The majority of the activity relates to overt activities by the licensing team during race week;
- a Q and A quick reference document has been created for Members and staff on RIPA, which will be less onerous to wade through.

A Member said he spoke for all councillors in congratulating the team on the work they do, in particular the vital revenue recoup work, and wondered if an increase in scam activity had been noticed and if so in what areas. The officer replied that in anything which involved giving out money or using data, there is a scam – fraud is prevalent in everything that we do, and it is important to make people aware of how it can affect them. The CFEU is working to make it relatable, and educate people in how to recognise and resist it, and how the process can be disrupted.

Regarding the assurance work in relation to the DWP's Test and Trace payments, which resulted in more than 50% of the sample requiring further investigation, the officer said that the demographic had to be taken into account, and anomalies due to error, not just fraud. She will consult with colleagues as to whether it is in the public interest or worthwhile to pursue further cases.

No vote was required on this item.

The Chair reminded Members about the seminar on 17 May, open to all councillors and the community voluntary sector, saying the more awareness of scams the better. For anyone who cannot attend on this date, the same seminar is being presented at different boroughs and districts across Gloucestershire which they are welcome to join.

## **10 Review of Draft Accounting Policies 2022-23**

The Director of Finance and Assets said it was standard protocol to bring the Draft Accounting Policies before producing the draft accounts. She made a small correction to the executive summary: following consultation, the government has decided to revert to the previous deadlines for policies, namely 31 May for the draft accounts and 30 September for the audited accounts. Members were invited to comment on the policies, which reflect the changes recommended by Grant Thornton through the 2021-22 audit, and would see the draft accounts again as well as the final version once the audit was complete.

In response to Member questions, the Director of Finance and Assets confirmed that buildings depreciate in the same way as everything else, and this can be seen in Note 19 of the 2021-22 draft accounts – the top section documents the cost, the lower section documents the depreciation and year changes, and the net book value is shown at the bottom. Taking the Municipal Offices as an example, the in-year depreciation is shown in the lower section, but when revalued as part of the 5-year rolling valuations programme, any appreciation or fall in value is recognised at the top of the note.

The Chair wondered why the government had moved the deadlines back to where they were previously, in view of the complications arising from resourcing.

No vote was required for this item – it was considered and noted.

## **11 Work Programme**

The Chair invited any queries, amendments or suggestions to the Work Programme. He wondered if anything in the plan related to climate change. A Member agreed that it would be good to prioritise this, focussing on the ways climate change relates to national and local action to mitigate risk. With all Members up for re-election in 2024, there is a need to think long-term and create a multi-generational strategy. Working in electoral cycles, there is a clear need for continuity and to identify solutions.

The Director of Finance and Assets said this would be noted, and an item could be incorporated. The Chair commented that a benefit of the agile system was that items could be taken out or added in as the need arose.

No vote was required on this item.

## **12 Any other item the chairman determines to be urgent and requires a decision**

The Chair had no other items for consideration.

## **13 Date of next meeting**

The next meeting is scheduled for 12 July 2023.