

Cheltenham Borough Council Audit, Compliance and Governance Committee Minutes

Meeting date: 26 September 2023

Meeting time: 6.00 pm - 7.00 pm

In attendance:

Councillors:

Adrian Bamford (Chair), David Willingham (Vice-Chair), Matt Babbage, Graham Beale and Tabi Joy

Also in attendance:

Paul Jones (Executive Director of Finance, Assets and Regeneration), Gemma Bell (Director of Finance and Assets and Deputy S151 Officer), Emma Cathcart, Lucy Cater and Ann Wolstencroft (Head of Performance, Projects & Risk)

1 Apologies

Apologies were received from Councillor McCloskey.

2 Declarations of interest

There were none.

3 Minutes of the last meeting

The minutes of the last meeting were approved as a true record by those who had attended.

The Chair noted an action under Agenda item 6, suggesting that the Chairs of Audit, Compliance and Governance and of Overview and Scrutiny may like to collaborate regarding a progress update on Priority 1s highlighted in the internal audit. Following

the recent resignation of the Chair of Overview and Scrutiny, he suggested this should be reconsidered.

4 Public and Member Questions

There were none.

5 Corporate Risk Register

The Head of Performance, Policy and Risk introduced her report, the first quarterly report outlining the council's corporate risks as part of the new approach to reporting agreed in April. She said future reports will detail the risk movement in the previous quarter, not included here as it is the first report. She welcomed questions and any suggestions for future reports.

One Member considered the report to be a good and comprehensive starting point as a baseline of what the Committee is trying to audit; it can be kept under review as a living document, added to as and when further risks materialise.

In response to a Members' questions, the Head of Performance, Policy and Risk confirmed that:

- the Leadership Team reviews risk on a monthly basis, and she can include a summary of their discussions in her reports going forward;
- risks are not only financial – some are existential, such as recycling and the cost of living crisis. Officers check the highest-scoring risks on a regular basis to ensure mitigations and controls are in place, and carry out an effectiveness review - if mitigation measures are not reducing the risks, they look at other ways to do this with individual risk managers;
- with regard to cross-referencing concurrent incidents – such as the link between asylum seekers losing government support when their applications go through feeding into the homelessness issue – linked risks are usually owned by the same risk manager, making cross referencing possible.

A Member suggested a possible working group to identify such situations, and to help Members identify and avert potential risks before they escalate.

Members noted the contents of the report.

6 Audit Findings Report 2021-22

Before introducing her report, Alex Walling of Grant Thornton (AW) advised Members that although signing off the Audit Findings Report for 2021-22 was late, this was a national issue and CBC was in a better position than many other councils. She highlighted the following points:

- the report brings together the accounts work done on 2021-22, and local authorities are required to consider the report, in particular the unadjusted misstatements, before approving the accounts and approving and signing the letter of representation;

- there had been some adjustment to the financial statements since publication, currently standing at £1.777m to the council's comprehensive income and expenditure account . The adjustments have arisen from plant and equipment revaluation and pension figures;
- the work is substantially complete – awaiting revised pension figure from Cheltenham Borough Homes (CBH) and receipt of the management letter – and an unmodified opinion is anticipated. This is positive and reflects well on the finance team;
- under the Code of Audit Practice, auditors also have to do a value for money commentary, and as this work is still outstanding for 2021-22 and 2022-23, a joint commentary is proposed, considering the two years in isolation but bringing them together in one report. This work has started, and an interim report should be ready by Christmas, focussing on three areas – financial stability, governance, and economy, efficiency and effectiveness;
- the external auditor also has a statutory duty to highlight any areas of concern, or to issue any objections or public interest report, but has nothing to report for 2021-22 – another positive;
- once all the audit work is complete, the auditors issue a certificate to close the audit year, but this cannot be done until the value for money work is done;
- one 'significant matter' noted by the auditors was that the submitted draft accounts were incomplete, but this was due to the finance team waiting for third party information. This information has now been received;
- another significant matter was the delays in getting information from the valuer – having three valuation experts is unusual for a district council, but this is due to the nature of some of the entities CBC is working with;
- the issue of housing stock revaluation was also raised which was to have been an unadjusted misstatement in the accounts, but the council has now made the adjustment and this is reflected in the accounts.

In response to Members' questions, AW confirmed that:

- with regard to the MRP, the auditors are not wholly happy with what the council is doing, but has seen nothing to suggest it is *ultra vires* or would have a material effect on the accounts. The government is due to issue additional guidance and changes to regulations around MRP;
- Gloucestershire Airport has now provided the additional information required.

The Executive Director for Finance, Assets and Regeneration said that, regarding the revised government guidance, input from a number of consultees including the external audit sector and local authorities, has been taken on board, but regardless of any new regulations, the council has found a pragmatic solution to get its accounts signed off. The Director of Finance and Assets said that when the committee gets the Audit Findings Report for the 2022-23 account it will see all the actions signed off.

No vote was required. The report was noted.

7 Statement of Accounts 2022-23 (including letter of representation)

The Director of Finance and Assets said that the accounts now presented followed a significant amount of work, and that there was still one item outstanding. She said there had been some issues with the timing of information received from Gloucestershire Airport, but these have been worked through with Grant Thornton over the last few weeks. Due to the delay, the most significant adjustments from the original to the final draft is the pension liability which has had to be revalued to account for changes from 31 March 2022 to today, and the consolidation of CBH's group accounts with our own.

She confirmed that today she was asking the committee to delegate to the Chair to sign the accounts and letter of representation on its behalf, subject to no further significant issues arising. She thanked Jon and the finance team for their hard work and perseverance over the last year, and Grant Thornton who had worked together well over the last six months to address some of the big changes and issues.

Having reviewed the report and documents, Members resolved unanimously to:

- a) approve in principle the draft Statement of Accounts 2021/22 dated 22 September 2023;**
- b) approve the delegation of authority to the Chair of the Committee to sign the final version of the accounts and management representation letter, subject to no significant issues being raised by audit.**

8 Internal Audit Monitoring Report

The Assistant Director of SWAP said her report was the usual update of work concluded since the last meeting, and progress on the audit plan. She said there are four final reports in the pack, two high-substantial which is very pleasing, and the audit on business continuity management is concluded. Her team has continued to follow up on agreed actions, and the two outstanding items for taxi licensing are now closed, following sufficient and good evidence being provided by the team.

A Member asked about timescales for implementing the recommendations and/or mitigating what has been found, and said it would be useful to include this in recommendations going forward. The Assistant Director of SWAP said this information was included in Appendix B, with an agreed action deadline in respect of offline access to business continuity plans of 30 September – this will be followed up shortly - and a deadline of 31 December for the annual testing and update of departmental business continuity plans.

The contents of the report were noted.

9 Counter Fraud and Enforcement Unit Update

The Head of Service, Counter Fraud and Enforcement Unit (CFEU) introduced her report, which provided the usual update on work being undertaken by her team. She outlined that the appendix now included some further detail relating to the work plan items but that specific updates were still included with more detail within the report. She highlighted that the work on business grant schemes was almost complete, with the DBT sending through paperwork to show that any outstanding debt liability was being transferred to them.

Her team has been working to complete the National Fraud Initiative matches relating to Single Person Discount anomalies, and in addition were also undertaking extra proactive reviews with the revenues team. She said the usual update regarding RIPA and IPA would be provided in the April report, but confirmed that the council had been the subject of an inspection by IPCO - all policies and processes were checked and deemed compliant.

She ended by sharing with Members the positive news that Stroud District Council will be joining the partnership; this will be beneficial and allow authorities across the county to share good practice.

The Executive Director of Finance and Assets noted that the last time the business grants scheme was mentioned, it was reported in the media in a negative light, highlighting that £36,334 had not been repaid. He pointed out that this represented 0.067% of the £50m paid out by the council, which he considered an awesome statistic and a level of performance which a significant number of councils were nowhere near achieving.

A Member welcomed the report, thanked the team for their hard work, and commented on the following:

- £129k in loss avoidance regarding the housing waiting lists, which was not just a financial benefit, but also making a difference to people who need priority housing;
- the work being done by public protection to protect people from unlawful evictions, which didn't result in particularly big fines but in quite considerable costs which put the cost of the work in perspective;
- the welcome £9k in council tax revenue, including two criminal penalties and one civil penalty. This serves as a reminder of what the council is doing to successfully detect fraud, and he hopes this can be widely publicised as a warning to others.

Another Member echoed these comments, saying it was scary to read about the many ways in which the council can potentially be defrauded.

In response to Members' questions, the Head of Service, CFEU confirmed that:

- the governance group is an officer group which meets to discuss general risk governance, and any particular matters of concern are raised at that group;
- the CFEU has a number of agreements with different bodies, including banks, to obtain and share information for evidence purposes;

- the council also works with the MAAF group, including the police, trading standards, and the NHS, to bring about a more cohesive approach to combatting fraud which is the most prevalent crime in the UK. Financial institutions linked to the group and carry out a lot of work to safeguard people, share best practice and inform the public. With the risks ever changing, and new scams and frauds emerging all the time, the MAAF groups bring bodies together nationally to work in a joined-up way and thus better tackle and prevent fraud activity – as prevention is better than trying to get money back once it's gone.

Members were happy to note the report.

10 Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy

The Head of Service, CFEU, confirmed that the policy had not significantly changed – the content is legislative and there has been no change in legislation. She said departments and names have changed, and the aim has been to bring one policy together for all six councils rather than each council having an individual one. The revisions are minimal. The value of the penalty of £500 referenced at paragraph 3.6 hasn't altered.

There were no Member questions, and Members voted unanimously to accept the new policy

11 Work Programme

A Member raised the issue of JCS policy SD12, concerning affordable housing, and his worry that planning officers are not following their own documented guidance. He asked that this be looked at and corrected before any potential legal challenge on the soundness of a decision. The Executive Director for Finance, Assets and Regeneration recorded this concern, and said that he and the internal auditor would take this up with the Head of Planning and report back accordingly.

He added that it was worth pointing out that the annual audit plan is structured in a 'normal' year, which by default is subject to change due to the issues around auditing of which Members are aware. He said he was confident that by 2024-25 a normal cycle would be resumed.

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

There were none.

13 Date of next meeting

The next meeting will be held on Wednesday 29 November.