

## Audit, Compliance and Governance Committee

Wednesday, 11th November, 2020  
6.00 - 7.35 pm

Attendees	
<b>Councillors:</b>	Steve Harvey (Chair), David Willingham (Vice-Chair), Matt Babbage, Flo Clucas and Jo Stafford
<b>Also in attendance:</b>	Aditi Chandramouli (Grant Thornton), Lucy Cater (SWAP), Emma Cathcart (Counter Fraud Unit), Paul Jones (Director Finance & Assets), Darren Knight (Executive Director People & Change), Andrew Knott (Chief Accountant), Barrie Morris (Grant Thornton), Jaina Mistry (SWAP) and Ann Wolstencroft (Programme and Governance Manager)

### Minutes

**1. APOLOGIES**

Councillors Oliver and Brownsteen had given their apologies.

The Chairman took the opportunity to confirm that Councillor Athrstone had stood down from the committee following her appointment as Cabinet Member and welcomed Councillor Clucas as her replacement.

**2. DECLARATIONS OF INTEREST**

No interests were declared.

**3. MINUTES OF THE LAST MEETING**

The minutes of the last meeting had been circulated with the agenda.

Upon a vote it was

**RESOLVED that the minutes of the meeting held on the 22 July be agreed and signed as an accurate record.**

**4. PUBLIC AND MEMBER QUESTIONS**

None were received.

**5. ANNUAL REVIEW OF RISK MANAGEMENT POLICY**

The Programme and Governance Manager introduced the annual review of the Risk Management Policy and explained that the policy had been amended to reflect some changes in the categories and the introduction of the Clearview risk management software. She further clarified that the track changes were included, as the committee had made this request the previous year.

The Programme and Governance Manager, along with the Executive Director People & Change, gave the following responses to member questions:

- The instance of red text on a red background (Page 31) was simply a consequence of track changes and when the final version was published, the text would be black on red.
- 2.12 would be amended to include reference to the descriptions of the eight options for control of risk, as outlined at 7.3.
- The option 'Enhance the risk' in fact referred to enhancing the opportunity posed by the risk and more clarity could be given on this.
- Should a risk materialise, it would no longer be considered a risk but would in fact become an issue to be resolved.
- Each risk would be allocated a review date, based on the proximity of that individual risk, whether that be a week, month or year. The level of seniority in terms of risk monitoring would depend on the risk score.
- In light of the current pandemic, it would seem sensible to include this as an external risk in future versions of this policy.

A member welcomed the increase to 8 from 4 options for dealing with risk, which as well as providing more options for how we dealt with risk, was also in his opinion, a more sophisticated approach.

**Upon a vote it was unanimously**

**RESOLVED that the revised Risk Management Policy for 2020/21 be approved.**

## **6. CLEARVIEW - LIVE DEMONSTRATION**

The Executive Director People & Change explained that the move from Excel to Clearview was part of a wider review and development of the Council's Risk Improvement Plan; noting that both he and the Programme and Governance Manager had recently qualified and become registered Management of Risk (MOR) Practitioners. He also noted that the Counter Fraud Team had been asked to undertake a Risk Maturity Assessment in Q2 of next year, all of which he hoped demonstrated the organisations commitment to taking risk management forward.

The Programme and Governance Manager and Executive Director People & Change provided a live demonstration of the Clearview risk management software. Whilst there were a number of risks within the system, they'd chosen one to drill down into as part of this demonstration, and it as noted that the view being shared was that of the Executive Leadership Team (ELT) and the system had various levels of access permissions. Members were shown the level of detail that could be included and the controls that could be added as necessary. Risks were linked to specific goals and/or projects and the risk being demonstrated was marked as 'green' because of the controls that were in place, though if the controls or effectiveness of those controls became an issue, this would change to amber or red. Risks were reviewed regularly by Managers across the organisation, with ELT monitoring and managing the Corporate Risk Register; and the Clearview system was far more dynamic than the previous excel spreadsheets.

The Programme and Governance Manager and Executive Director People & Change gave the following responses to member questions:

- It was possible to produce short reports, which were better laid out for purposes of summarising the information within the system, but the preference would be to use the system 'live' in meetings, in order that members could consider up to the minute data.
- Members would be given access to the system, though this would be restricted to 'read only'.
- It was early days in terms of the number of Officers using the system. ELT were really pleased with it and though she was sure Officers would find it different, she was confident that they would grow to find it far more efficient and effective than the Excel spreadsheets they had used in the past.
- At present the system had no way of distinguishing between public and confidential risk and as such, confidential risks were being kept separately and updated manually. A request for this functionality had been raised with the developer and it was hoped that this would be addressed going forward.

Members thanked the Programme & Governance Manager and Executive Director People & Change for their demonstration of the system, which the committee agreed looked far more dynamic and user friendly than Excel.

No decision was required.

## **7. THE AUDIT FINDINGS FOR CHELTENHAM BOROUGH COUNCIL**

Barrie Morris from Grant Thornton (GT) introduced the Audit Findings Report and noted the report was four months later than it would usually be coming to committee.

It went without saying that the council had worked hard, and done a fantastic job in his opinion, of supporting residents through the pandemic. A great many audit opinions were not yet ready and that GT were able to present their report this evening was thanks to the efforts of Paul Jones and his team. These were unprecedented times in terms of the work that had been required to get to the point at which they were close to being able to sign the audit opinion, particularly after the recent FRC report which was critical of local auditors, particularly around the property, plant and equipment valuations and pension liabilities and the estimation techniques used; and GT had increased their work in these areas, as Officers could attest.

He apologised for the circulation (earlier in the day) of some revised pages of the Audit Findings report, but had wanted to provide the committee with the very latest position. Firstly, on page 37 they had amended the list of outstanding items and were now only waiting for completion of the group audit procedures, which just related to CBH, though he had received the Hold Harmless letter earlier in the day and having reviewed this, had signed it. Also outstanding was the Pension Fund Auditor assurances and finally the review of the final set of financial statements which they could only review after them having been considered by the Audit Committee.

Covid had not only presented challenges in the production of the financial statements but in the financial statements themselves, with changes to liabilities in terms of pension liabilities and also the valuation of those assets. Another challenge was around Gloucestershire Airport and considerations about its going concern assessment. The Council were asked to undertake a piece of

work to give some assurances around the impact of this on the Council's position and though they had subsequently received the signed accounts from the auditors, he suggested that this was another great example of Paul Jones' pre-empting issues or concerns that were likely to be raised.

Aditi Chandramouli from GT then talked the committee through some of the key findings within the report. She referred members to page 7, which set out the work that had been done in relation to significant risks, which included Covid-19, management override of controls, the valuation of land and buildings and the net pension liability. There was also a material uncertainty with regards to the valuation of land and buildings, and property funds included within the pension fund assets. Page 11 of the report set out the findings arising from the group audit work. Their work on Gloucestershire Airport was materially complete and in terms of CBH, they were just waiting to review some of their working papers and then this would be complete also. GT had recently received a report which had been commissioned by the council on the impact of Gloucestershire Airport and GT had now factored this into their going concern assessment and having reviewed the work of the council on their long term financial planning and cash flow, GT were happy with the going concern basis of accounting being applied. This year, as part of their work in relation to providing a Value for Money (VfM) conclusion, GT had looked at the Medium Term Financial Strategy, as well as the council's reliance on income from investment properties. Members would be aware that a revised 2020/21 budget was being considered by Council on Monday (16 November) and this included savings around minimum revenue provision and flexible use of capital receipts. This was all factored into their VfM work and though there were some recommendations coming out of this, their opinion would be unqualified. Appendix A included the recommendations being made.

Barrie Morris wished to emphasise the work GT had done on VfM and the conclusions they had drawn based on the arrangements the council had in place, particularly in view of other Councils having issued 114 notices; which identified that technically, they didn't have sufficient funds. He felt that in view of these circumstances, it was really pleasing to see the financial resilience and sustainability that Cheltenham had in place. As mentioned, there were a number of adjustments that had been identified and he highlighted the independence issue that had been reported the committee previously, reminding members of the safeguards that were in place; which they had to do for ethical reasons. Finally, the fees were set out at Appendix D and although the final fee was yet to be confirmed, he reiterated that GT had undertaken significant additional work and as a consequence of this, there would be an additional fee.

Barrie and Aditi gave the following responses to member questions:

- There was a whole range of reasons as to why there were so many outstanding audit opinions nationally. However, it was a credit to the Officers at this council that work had progressed as it had over the last 4 weeks.
- RICS guidance stated that because of the timing of the pandemic, there was insufficient evidence to be able to decide on the impact of valuations. It was likely that some investment assets may have improved slightly, though there were clearly severe risks to some others

(shopping centres and hotels for example); but there was simply insufficient market evidence in terms of whether this posed a long term risk. Effectively what they were saying was, the council needed to draw a line as at the 31 March, when the accounts were produced.

- The revised budget represented a good piece of work which Aditi had found genuinely interesting to read.
- GT would ensure that any decision being taken by the council was fully supported by a legal view and checking that due diligence had been done; though the Director Finance & Assets often approached GT to discuss issues in advance. GT would then ensure that there was sufficient ongoing monitoring with the proper sensitivity analysis in place, including best and worst case scenarios.

The Chair and Vice-Chair commended the Director Finance & Assets and his Finance Team, for their hard work and wanted to draw out the VfM conclusion, which stated that the Council had proper work arrangement for securing economy, efficiency and effectiveness in its use of resources. They also congratulated Officers on the revised budget, which allowed the council to continue to provide high quality services, through innovative investment strategies.

No decision was required.

#### **8. STATEMENT OF ACCOUNTS INCLUDING LETTER OF REPRESENTATION**

The Chief Accountant reminded members that the council was required to prepare an annual Statement of Accounts, which were then made available for public inspection, before being audited by the council's external auditors, Grant Thornton. He explained that the main change to note was the contingent liabilities relating to estimation uncertainty around property/plant/equipment and pension valuations; which currently exist but had not materialised by the 31 March 2020.

There were no questions.

Upon a vote it was unanimously

**RESOLVED that:**

- a) The accounts for the year ended 31 March 2020, be approved**
- b) The Chair of the Audit, Compliance and Governance Committee be recommended to sign the Statement of Accounts and Letter of Representation**

#### **9. INTERNAL AUDIT PLAN AND PROGRESS REPORT**

The Assistant Director for the South West Audit Partnership (SWAP), introduced the Internal Audit Plan 2020/21 and Progress Report as circulated with the agenda. She explained that the Audit Plan, which would have ordinarily come to the March meeting, had been revised as a consequence of Covid-19 and the likelihood that a significant proportion of this work would need to be pushed back. The reference to agile working related not to working from home but rather where work would be undertaken by a team, rather than an individual.

Quarterly progress was summarised within the Report of Internal Audit Activity and included a summary of findings on audit and follow-up work that had been undertaken. She also noted that since publication, the Cyber Security audit had been completed.

She assured members that the team would continue to undertake follow-up of any previous audits to ensure that recommendations were being taken forward and issues addressed.

Asked whether elected members were consulted as part of the Planning Process and Complaints audit, the answer, given by Jaina Mistry (SWAP) was no, they had not. She explained that the audit was of a specific case and the objective of devising some lessons learned.

In terms of the Planning Application audit, the aim was to assess the effectiveness of the processes that were in place. Some of the committee felt that members should be asked to provide feedback on this issue and one member queried whether the authority were learning from comments it received from the Ombudsman and whether Officers were open to making any changes that were being suggested. These members were particularly interested in whether there were instances where applications were being accepted, which include errors or intentionally misleading information from applicants.

**Upon a vote it was unanimously**

**RESOLVED that the Audit Plan 2020/21 be approved.**

#### **10. COUNTER FRAUD UPDATE AND FUTURE WORK PROVISION**

The Counter Fraud Unit Manager introduced the Counter Fraud Unit (CFU) report, as circulated with the agenda. She explained that the purpose of the report was to provide the committee with assurances over the counter fraud activities of the council, explaining that this particular report captured an overview of 2019/20 and 2020/21 so far; given that the last bi-annual report was deferred due to Covid-19. Worth noting was the medium term enforcement proposal that had been developed by the CFU, enabling written statements under caution rather than in person interviews, allowing enforcement activity to continue and the case management system which had proven to be a great asset to the team, allowing them to move away from Excel spreadsheets. The report also included details of some of the fraud that had been identified during this period, including work undertaken on behalf of CBH. Finally, the Council was found to have a high level of compliance, following a RIPA inspection (which was completed remotely) and she was pleased to confirm that the three recommendations that were made were all in progress, and the Social Media Policy would be presented to this committee in due course, with appropriate training scheduled thereafter.

In response to a query from a member, the Counter Fraud Unit Manager explained that because many prosecutions were now joint prosecutions with the DWP, feedback was only provided on an ad-hoc basis; making it difficult be able to generate timely media releases. However, where possible the CFU did work with the Communications Team to create press releases.

Members congratulated the team on not only their performance in terms of the fraud being detected, but also on the outcome of the RIPA inspection.

Upon a vote it was unanimously

**RESOLVED that having commented as necessary, the report be noted.**

**11. WORK PROGRAMME**

The work plan had been circulated with the agenda.

A member asked whether, given that there were going to be Borough, County and Police and Crime Commissioner elections in May 2021, it would be appropriate for this committee to consider the planning for this even, given that three separate ballot papers would be being issued at one time. However, he also acknowledge that the Executive Director Finance & Assets, was the Returning Officer, and that this may therefore represent an unnecessary burden in terms of capacity, but queried whether members felt the committee should look at it. The Executive Director Finance & Assets explained that there could well be four ballots, if a Parish Council election went ahead as was being suggested, but assured members that each would have a different colour ballot paper and in turn, different ballot boxes. He went on to confirm that all verification of ballot boxes would be done at the same time, before focus moved onto the count and also advised that given the likely volume of ballots, this process would be done over two days. This was not added to the work plan.

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

There were no urgent items requiring a decision.

**13. DATE OF NEXT MEETING**

The next meeting was scheduled for the 20 January 2021.

Steve Harvey  
**Chairman**