

# **Cheltenham Borough Council Audit, Compliance and Governance Committee Minutes**

**Meeting date:** 28 May 2025

**Meeting time:** 6.00 pm - 7.40 pm

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**In attendance:**

**Councillors:**

Adrian Bamford (Chair), Ashleigh Davies, Chris Day, Cathal Lynch, Julian Tooke and Dr David Willingham

**Also in attendance:**

Paul Jones (Deputy Chief Executive (Section 151 Officer)), Gemma Bell (Director of Finance and Assets and Deputy S151 Officer), Emma Cathcart, Lucy Cater, Nathan Coughlin and Victoria Bishop (Governance, Risk and Assurance Manager)

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## **1 Apologies**

Apologies were received from Councillor Orme and Duncan Chittenden.

## **2 Declarations of interest**

Councillor Tooke, as Chair of Cabinet Housing Committee, noted that there was some overlap between the work of that committee and some of the agenda items.

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

There were no amendments to the minutes of the meeting held on 25 February, which were signed by the Chair as a true record.

## **4 Public and Member Questions**

There were no public or Member questions.

## 5 External Audit Plan 2024-25

Nathan Coughlin (NC) of Bishop Fleming introduced the plan, which sets out the proposed approach to this year's external audit, to give a true and fair view of the financial statements for the council and group as a whole, including CBH and Gloucestershire Airport. He highlighted key points:

- materiality remains unchanged from previous years, based at a high level of 2% of overall expenditure to make sure there are no adjustments over that level which would require the audit opinion to be amended;
- risk areas are very similar to prior years, including some which are prescribed by auditing standards – in particular management override controls – and risks around valuations of land and buildings, investment properties, and heritage assets, all significant items on the balance sheet. As in previous years, Bishop Fleming's experts check the assumptions made by CBC's experts regarding valuations, yield rates, estimates etc to ensure that these are materially accurate, reasonable and appropriate;
- another significant risk is the valuation of the pension scheme, and again, Bishop Fleming uses its own experts to assess the reasonableness of the council's assumptions to the year end, and ensure that these have been calculated appropriately and put through the accounts into the financial statements properly. As in previous years, there are no concerns;
- there is a new risk around implementation of new accounting standards, which results in local authorities having to recognise longer-term lease commitments which were previously recognised as operating leases on the balance sheet; essentially the initial change will be the grossing up of the balance sheet, with some subtle changes to the income and expenditure account, where the charges will sit going forward. Broadly, this will increase the value of assets and liabilities on balance sheet;
- this has been flagged as an 'other' risk rather than a significant risk, as it is unlikely to be a materially significant balance, but it is a good opportunity to ensure that CBC is capturing all leases, including any that are embedded in contracts. Process management will be reviewed and calculations checked in terms of liability and assets to ensure that these are materially correct. Management is comfortable with this approach;
- finally regarding risk areas, a broad approach on the narrative around the narrative on rebuilding the assurance piece is to do a full audit on this year's income and expenditure and balance sheet; last year it was not possible to complete everything on income and expenditure, so attention was focussed on making sure the balance sheet was audited. There is more time this year, and the proposal is to present the audit fieldwork in late autumn, allowing space to make sure Members are 100% comfortable with everything on the balance sheet and income and expenditure account. There is still some uncertainty among all audit firms about the best way to build back assurance over reserves, but Bishop Fleming will do what it can this year to get back to a normal opinion over the next few years;

- a new and experienced manager has been appointed to the audit team to boost capacity, and will be working on the CBC audit;
- fees are set by the PSAA but are included for transparency, with a couple of things to be confirmed, including a review of the implementation of International Financial Reporting Standard 16 (IFRS16), which will involve an element of additional charge, and the additional procedures to build back assurance, although time has been saved by not having to repeat the work started last year.

In response to Members' questions, NC confirmed that:

- the timetable presents the process by which we will keep on track with the rowback of the backstop, setting out key deliverables on both sides. The ultimate backstop for next year is February 2026, but the proposal is to have the fieldwork finished by the end of 2025 and presented at the January 2026 committee;
- regarding valuations and the pension situation, there are no concerns arising from last year's process – this is a well-trodden path by management and Bishop Fleming, and the IFRS16 is not a problem, included to ensure that everything is captured in terms of the definition of a lease;
- regarding the valuation and assumption around Golden Valley, which is not yet built with no clear occupation rates, the auditors are looking at the position at March 2025, with the development still in early stages and only limited costs incurred other than the initial land costs and planning costs – the valuation judgement is not significant at this stage. The Deputy Chief Executive confirmed that it is just valued as land in the accounts at the moment; the valuation will increase with planning consent;
- regarding the timeline, whether all items can be met with current resources and local government reorganisation taking a lot of officer time, and whether there is a month or so of contingency at the end of it, the Deputy Chief Executive said that the work was done in a much shorter timeframe last year, and has every confidence that the timetable is achievable. NC added that work couldn't start till late November last year, but this is a different world, with accounts prepared by the end of June and time to get samples out early and allow managers time to respond. There is a large number of projects for the council this year, and a conscious decision has been made to use a narrower team over a longer period.

A Member asked whether, if management supply the required information in line with the timeline, NC can provide assurance that CBC will receive either a clean audit report or an 'except for reserves' type qualification rather than another disclaimer. He also asked why Bishop Fleming is going to do a substantive rather than controls-based audit, despite concluding that a control environment is effective. He said a substantive audit will be a lot more labour-intensive than a controls-based audit, with a potential cost fee implication.

NC understood the concern about getting back to a clean audit opinion as soon as possible and could give assurance about getting to a position where work on this year's balance sheet and income and expenditure account is complete, but the technical review is still ongoing about what that means and if the reserves piece is

still outstanding, he cannot provide any conclusions at this stage. The report will reflect that.

Regarding controls work, he said intensive work around substantive testing is the more common approach in the audit profession right now, whether transactional or using data analytics or AI tools, and is considered a more efficient way of doing things. He has no concerns about the control environment that suggest more work is needed, but the approach will be focussed primarily on transactional testing. There are risk areas around estimates and valuation judgements but Bishop Fleming will look at how the process is being followed and sample test valuations in portfolio, understand how assumptions been made for individual assets; this is not an approach that can be taken through the control environment route – a lot of council audit that doesn't lend itself as well to control environment process. As a result of those things combined, Bishop Fleming's approach is very much substantive for local authority audits.

## **6 Internal Audit Plan 2025-26 and Internal Audit Charter and Mandate**

Lucy Cater (LC) of SWAP introduced the item, which comprised the Internal Audit Plan, on which Members were consulted at the last meeting, and a revised version of the Internal Audit Charter and Mandate, which comes to committee for approval on an annual basis, and is now working to revised global audit standards.

In response to Members' questions, she confirmed that:

- there are two different audit areas for climate emergency: one where auditors talk to service areas and officers to see what they are currently doing to support CBC's commitment to the climate emergency and what more they can do, and the other where audit officers work with climate officers to see what the council is doing overall. She said a third strand of this work will be an audit of greenhouse gas emissions data;
- regarding the digital discrimination audit, accessibility and the need to consider those at both ends of the spectrum will be considered, to ensure that people without digital access are not excluded, and that new platforms are used in smart ways to reach people who value those platforms;
- following on from the disclaimer on the external audit report, increased reliance on the work of internal auditors, and time likely to be spent on core processes and numbers-based work, CBC has 360 days in the audit plan, with a maximum of 100 days looking at core financials, including revenues and benefits and some IT systems. With good processes in place, assurance can be taken from the previous years' work, and assurance is provided over three years of the whole system.

The Chair confirmed that there is reasonable emphasis on core work, with a good agenda of other items, and a broad enough spectrum of auditing climate change work.

A Member asked that councillor welfare should be looked at in addition to staff welfare, as some Members have had safety issues and have concerns – it would be

useful to make sure there is support for them in these specific circumstances. This request was noted.

**RESOLVED (unanimously) THAT:**

- 1. the proposed 2025/26 Internal Audit Plan and the Internal Audit Charter and Mandate is approved.**

## **7 Internal Audit Update**

Lucy Cater (LC) of SWAP presented the regular update on internal audit work undertaken since the last meeting, highlighting the three reports in the pack: Voids Review, Homelessness Deposit Rent Scheme, and Members' Allowances. She said the agreed actions are being followed up by the Governance, Risk and Assurance Manager and the SWAP team on behalf of the council.

In response to a request for further information, she said that the Void Process Report had been requested by the Director of Governance, Housing and Communities, following issues identified at CBH before the transfer. In response to a question from the Chair as to how long issues may take to be resolved; the Deputy Chief Executive confirmed that there will be a full Member update on housing on 23 June, but reminded Members that while he understood their concerns, it should be remembered that the council can only act on what it knows; independent auditors are able to look at all areas. He said voids are a systematic issue in that the workforce needs to turn round minor and major voids; the team is working with interims and new staff to get processes in place to ensure the council is complying with issues such as procurement, consumer standards, and health and safety. This will take time, but officers can give intermediate assurance that a lot of work is taking place in the background to resolve the issues. The Chair looked forward to having reassurance at the next meeting in July that discussions and processes are in place.

Other Members expressed strong concerns about this issue and the apparent lack of effective controls in all areas, suggesting that it needs to be a massive priority to take action and provide evidence as soon as the appropriate control environment is in place and operating effectively. LC confirmed that a full update and more information on the agreed actions will be provided at the next meeting.

On the subject of homelessness deposits, a Member was concerned that if we don't know how much recipients have paid against their advance, there could be a risk of someone overpaying if not told to stop their regular monthly payments. He also wondered if giving non-refundable grants would solve this issue and take away a lot of admin costs at the same time.

LC said homelessness deposits are considered as loans, with repayments being recycled to allow someone else to benefit. They are not considered as grants but her team could do a piece of work to look at what the Member is suggesting. The Deputy Chief Executive made the point that if these payments became grants, they would have to be funded from local taxation via a new pot of money, and would have

to come forward as part of budget proposals rather than as a recommendation from internal audit. The Director of CFEU added that this would also introduce the risk of fraud – repayment is more of a deterrent than free money via a grant scheme, which would also require an admin function to verify that the right people were getting the right money.

The Member pointed out that the council needs to comply with the Consumer Credit Act and is subject to statutory regulations through its activities; LC confirmed that she would email the Member figures to show how much money was outstanding at any point in time, and how many people were involved.

In response to further questions raised by a Member, LC and EC confirmed that:

- returning to the Voids Review, and whether any checks were carried out to ensure that particular contractors hadn't billed for work that wasn't carried out, CFEU has done a lot of background work on invoices but to get a case to a criminal standard, the council cannot undermine its own defence and must be pragmatic about resources and what it does or doesn't do;
- there have been no referrals for members' allowances, and any irregularities are more likely to be in error rather than fraudulent. Officers will be required to challenge any claims presented without receipts going forward;
- with reference to the Priority 1s on Page 65, No. 6205 has the wrong date and should have a timescale of 30 June like the others; more text will be provided next time.

No vote was required on this item.

## **8 Counter Fraud Unit Report (including RIPA/IPA update)**

Emma Cathcart (EC) Head of Service of CFEU presented her six-monthly update, which now includes a breakdown of financial impacts, as requested by Members of other councils. She highlighted the following:

- grants have been focussed on, following the update of the policy and more grants being administered. A toolkit has been introduced for staff members putting together grant applications as a guide to what they should and shouldn't do; CFEU will continue to offer support where it can;
- another focus is procurement, to support procurement teams across the council and ensure more transparency around the processes and ensure these are robust. This may also include a guide with quick and easy hints and tips for staff;
- the Gloucestershire Multi-Agency Approach to Fraud (MAAF) page is almost ready to be launched for businesses, residents and anyone visiting Gloucestershire, with a lot of local information and advice about victim support;
- also included are the usual updates around national fraud initiative matches, work with revenue and benefits on additional checks for single person discount, review of housing waiting list, and reactive work;
- CFEU has started producing an annual report for Cabinet Housing Committee on housing and tenancy fraud work to provide a wider understanding of the support available;

- an annual update on surveillance activity and the use of the investigatory powers act;
- there have been a number of RIPA applications concerned with overt activity, to ensure that the correct process is undertaken to ensure any activity is necessary and proportionate.

Members thanked EC and her team for their excellent work, and welcomed both the financial gains from extra revenue and loss avoidance, and the deterrents in place to tackle potential fraud.

In response to a Member question about the MAAF group and how soon this might be launched, EC confirmed that Tewkesbury Borough Council is building the group – an arduous process involving collating all the teams and getting the right information to make it local. She hopes to meet with TBC to review the work and launch the collective towards the end of July.

No vote was required on this item.

## **9 Whistle-blowing Policy update**

Emma Cathcart (EC), Head of Service of CFEU, introduced this review of the Whistle-blowing Policy, with changes highlighted in red. She said there were no significant changes, and the update has been done in communication with the six partner councils. The attached flow chart is a quick outline guide for staff, and guidance is also included to help those staff who receive reports. The updated policy covers Cheltenham, Stroud and Tewkesbury.

A Member asked for confirmation that it is understood that members of staff are not necessarily being malicious, vexatious or false when reporting what they consider to be an irregularity but which is in fact fine when viewed with an understanding of all the embedded controls. EC confirmed that her team would prefer people to come forward with concerns that are subsequently ruled out than to keep quiet.

### **RESOLVED THAT:**

- 1. the updated Policy is approved;**
- 2. the Director of Governance, Housing and Communities is authorised to approve future minor amendments to the Policy in consultation with the Counter Fraud and Enforcement Unit, Human Resources, One Legal and the Leader of the Council.**

## **10 Draft Accounting Policies 2024-25**

The Director of Finance and Assets confirmed that the finance team has a deadline of the end of June to produce a draft statement of accounts, and accounting policies

are key to that. She said there are no major changes from previous years, and the committee is asked to note the report, with the final statement of accounts brought back post-audit for sign-off and approval.

In response to Members' questions, she confirmed that:

- there is a typo in Paragraph 2.3 of the report – 31 May 2024 should read 31 May 2025;
- with the capital expenditure *de minimis* limit of £10k, if a projector with a value of £6k was capitalised, it would fall within fixed asset registers and be tracked; if it was a one-off expenditure purchased by a service, the expectation on the delegated budgets would be that the service would monitor and safeguard it in line with financial regulations. However, most of these types of assets are mostly bulk purchases of ICT equipment, which are capitalised, and registered and tracked by Publica;
- it is CBC's choice not to capitalise borrowing costs on assets under construction, and interest costs incurred within the financial years in these accounting policies have been credited to general reserves;
- regarding the depreciation of vehicles, plant and furniture, and whether it would be easier to do a straight line over their estimated useful life, this is, in effect, what we do already – the majority of accounting policies are taken from the set of model policies published in the Local Government Code of Practice, with that wording adopted. Ubico vehicles, for example, are depreciated over seven years;
- with reference to Paragraph 1.26, first bullet point, and whether this should refer to evidence of conditions before or during the reporting period rather than after, the reporting period means the year ending 31 March, and events after the balance sheet date would be anything done between that date of the reporting period and the sign-off of the final accounts that would potentially impact on events before. She will look at the wording again to avoid any potential confusion.

No vote was required for this item.

## **11 Review of Risk Register**

The Governance, Risk and Assurance Manager introduced her review of the risk register, highlighting key points: how current risks are managed, using the new Verto system; two new risks added in March; one risk – High Street defects – closed; one risk materialised and being managed as an issue; and an overview of the risks that have increased since the last assessment, with the highest risks on the Corporate Risk Register summarised on the last page.

She said that Verto provides a lot more information and dashboards, and more detail can be provided in future if Members want it, but at the moment she is trying to give an overview of how risks are changing and the risk actions being undertaken.



In response to a Member's questions, she said that risks are reviewed on a regular basis, with assessment as to whether anything has changed set with the risk owner, and any potential consequences and necessary mitigation then addressed by Leadership Team. Changes in risks can be highlighted and shared with the committee for reassurance going forward.

Another Member expressed concerns about Risk 413 (M5 J10 Planning), saying that S106 payments are the responsibility of the developer and GCC, not CBC, and the subject of negotiation and discussions between those parties; he suggested that more evidence of fact around those outcomes is needed before it is included on CBC's risk register. The Deputy Chief Executive said that Risk 413 isn't Golden Valley Development-specific and could impact developments all across Cheltenham but the Member still felt that the risk was laid out in too simple a form. Officers agreed to discuss this off-line and consider wording the risk in a different way.

Members asked for more information to be provided around why risks are increased or reduced; the Governance, Risk and Assurance Manager agreed to include this in future. She confirmed that the High Street Defects risk had been closed because the risk was financial and litigation has been concluded.

Finally, a Member queried consistency of wording around the implications of the highest risks (Nos. 4 and 5), to make it clear that these would ultimately fall on the council, despite being distinct financially and requiring different sets of mitigations. The Director of Finance and Assets explained that the difference lies in how the risks are monitored around mitigating actions: Risk 4 (Government's Fair Funding Review) is a relatively new and external risk, documented at length in the budget papers this year, and the council has to be prepared to react to what it includes, the extent of which is not known at present; the mitigations for Risk 5 (Prioritisation of Capital Resources) are more within the council's control and being discussed at present, particularly within the outturn report and budget papers of the approved capital programme for 2025-26, and more condensed than in previous years because the Cabinet has worked on mitigations to address and prioritise those capital resources. Both risks have financial impacts which could be negative if not mitigated, but they are phrased differently because they have different mitigation.

No vote was required for this item.

## **12 Audit, Compliance and Governance Annual Report to Council, 2024-25**

The Chair said he would check what is required for this report to Council, recommended under CIPFA guidance, and welcomed Members' thoughts. The Deputy Chief Executive suggested focussing on the adoption and approval of the statement of accounts, which used to be the responsibility of Full Council. A Member suggested including information about the excellent work done by CFEU and Internal Audit

### **13 Work Programme**

There were no comments on this item.

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

There were none.

### **15 Date of next meeting**

The next meeting is scheduled for 09 July 2025.