



CHELTENHAM

BOROUGH COUNCIL

Notice of a meeting of Audit Committee

Wednesday, 9 January 2013
6.00 pm
Pittville Room, Municipal Offices

Membership	
Councillors:	Paul Massey (Chair), Andrew Wall (Vice-Chair), Colin Hay, Rowena Hay, David Prince, Tim Harman and Pat Thornton

The Council has a substitution process and any substitutions will be announced at the meeting

Agenda

1.	APOLOGIES	
2.	DECLARATIONS OF INTEREST	
3.	MINUTES OF THE LAST MEETING 19 September 2012	(Pages 1 - 14)
4.	PUBLIC QUESTIONS These must be received no later than 12 noon on the fourth working day before the date of the meeting	
5.	ANNUAL AUDIT FEE LETTER FOR 2012-13 AND ANNUAL AUDIT PLAN FOR 2013-14 (INCLUDING INTRODUCTION) Grant Thornton – new external auditors	(Pages 15 - 18)
6.	INTERNAL AUDIT MONITORING REPORT Update from the Head of Audit Cotswolds	(Pages 19 - 26)
7.	AUDIT CHARTER Report of the Head of Audit Cotswolds	(Pages 27 - 38)
8.	GOVERNANCE AND INTERNAL AUDIT ROLE Update from the Head of Audit Cotswolds	(Pages 39 - 46)
9.	COUNTER FRAUD, CORRUPTION AND BRIBERY POLICY AND PROCESS Report of the Corporate governance, risk and compliance officer	(Pages 47 - 68)

10.		WORK PROGRAMME	(Pages 69 - 70)
11.		ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION	
12.		DATE OF NEXT MEETING 20 March 2013	

Contact Officer: Saira Malin, Democracy Officer, 01242 775153
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Audit Committee

**Wednesday, 19th September, 2012
6.00 - 7.40 pm**

Attendees	
Councillors:	Paul Massey (Chair), Colin Hay, Rowena Hay and Pat Thornton
Also in attendance:	Sarah Didcote (Group Accountant), Paul Jones (Head of Finance – GO Shared Services), Rob Milford (Head of Audit Cotswolds), Ian Pennington (KPMG Auditor), Martyn Scull (Group Accountant), Mark Sheldon (Director of Resources) and Rachael Tonkin (KPMG Auditor)

Minutes

1. APOLOGIES

Councillor Wall and Harman had given their apologies. Councillor Chard attended as a substitute for Councillor Wall.

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.

The Director of Resources reported back on the issue raised at the last meeting regarding the £100k journal threshold. He explained that journals are primarily used to correct errors in posting of income or expenditure. He assured members that this did not pose an opportunity for false payments to be made. He advised members that the ability to undertake journals was controlled by a robust process which allowed only certain staff to do journals with a further process for countersigning journals over £100k. Discussions across the four GO partners identified £100k as an appropriate level based on an assessment of the balance of risk and level of process. The threshold had always been £100k at Cheltenham Borough Council though other partners may have had other levels previously.

Upon a vote it was unanimously

RESOLVED that the minutes of the meeting held on the 20 June 2012 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

No public questions had been received.

5. REVIEW OF THE ANNUAL STATEMENT OF ACCOUNTS

The Director of Resources introduced the item by explaining to members that contrary to previous years the annual statement of accounts had not been

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printed for all members but instead made available on the website and in the members room, given the increasing size of the documentation. Officers would make a PowerPoint presentation of particular highlights of the documentation.

Group Accountant, Martyn Scull, tabled amendments to pages 14, 21 and 92 of the statement of accounts. The amendments to pages 21 and 92 were presentational only, there had been no changes to the figures simply how they had been presented following a suggestion by KPMG. The amendment to page 14 had been a change to the capital expenditure which had previously not included the loan to the Airport. This had since been added. (Annex 1).

Group Accountants, Sarah Didcote and Martyn Scull introduced the PowerPoint presentation (Annex 2) and talked through each slide.

Officers provided the following responses to questions from members of the committee;

- There was a £30k limit for Disabled Facilities Grants and if Social Services were unable to provide top-up funding any shortfall could be met with a loan from the Council. Limits differed for private properties and social housing and these loans were usually repaid on death or sale of the property. Such loans were currently being treated as capital expenditure and when repaid as capital receipts. Officers would look at whether these loans needed to be disclosed elsewhere in the accounts.
- The cost of any borrowing was passed on to those to whom we loaned monies, the Council was not making a loss and was prohibited by law to make a profit.
- In terms of the subsidy buy-out the Government would continue to get 75% of any RTB monies, though there were a number of deductions that could be made (admin costs, etc). There was a new piece of legislation that would relax the restrictions on any monies from the sale of surplus assets but the Council would need to prove any such monies were to be used for regeneration.
- The decision to borrow £27.4m for the HRA self financing settlement was made by Council and was based on the business case which had been presented and showed that over a 30 year period it would be of significant benefit.
- The valuation of the Airport was based on the runway and buildings and the reduction in value was as a result of the declining property values since 2008.
- The Code had never previously required for heritage assets to be included, probably due to the difficulty around valuations. There would be no cash loss if any pieces were claimed back though this would impact the Net assets. The majority of pieces were donated a long, long time ago and some had been impossible to value.
- There were so many heritage assets that it would not be possible to value them all given the cost associated with such an undertaking. With these assets there was the potential for valuations to change over time.

Resolved

To approve the Statement of Accounts for 2011/12 including the Annual Governance Statement for 2011/12.

To authorise the chair of the Audit Committee to sign the Statement of Accounts in order to formally signify the Council's approval of the accounts.

6. AUDIT HIGHLIGHTS MEMORANDUM (ISA 260)

The KPMG Auditor introduced the report as circulated. In order to provide some context to the report he first explained that at the same time as what was always a busy period of accounting the council had launched the new GO financial system. KPMG had known for some time that this would pose additional risks and in recognition of this the council had brought in additional resources. Officers had done a good job inspite of the situation and whilst the accounts couldn't be described as excellent as they had the year before, they had been produced in advance of the deadline and subject to the receipt of a signed management representation letter, KPMG would be issuing an unqualified audit opinion on the accounts

The KPMG Auditors gave the following responses to questions from members of the committee;

- The audit was undertaken on the old system as the new system (Agresso) had not gone live until 1 April 2012. The issue, as expected, was that officers were not able to dedicate as much time as they previously had as a result of the additional pressure of implementing a new system.
- In relation to item 2 / appendix 1 (the timeliness of bank reconciliations) the issue had been that the systems were not interfacing. Officers were working hard to rectify the issue, meet the deadline of the 31 October and then undertake weekly reconciliations.
- Instances where the responsible officer had been listed as 'GO Corporate team member' had been made, as given the restructure it had not been possible to name an individual at the time. Individuals had since been identified.
- It was doubtful that the quality of accounts this year would negatively impact the audit fee from Grant Thornton as this had already been set. This fee would likely reduce in the coming years by approximately 40% as the Audit Commission reduced their operating costs. KPMG had incurred overruns and this would be discussed with the Director of Resources.
- KPMG had concluded that the two Elector Challenges did not impact on the statement of accounts and these would be resolved with a letter to the challenger.
- Any outstanding issues from this year and any still outstanding from the previous year would be highlighted to Grant Thornton to monitor through to conclusion.
- The appendices did focus on property but this was because KPMG had less issues with day to day transactions and more with the technical area of fixed assets.

Rachael Tonkin, KPMG Auditor, had been asked to produce a report on the handover process between KPMG and the new external auditors Grant Thornton. Rather than produce a separate report she has chosen to include the information in this report (page 12). The table summarised the approach and timetable of the audit handover.

The Chairman acknowledged that this would be the last meeting that KPMG would attend and took the opportunity to formally register thanks for the support they had provided over the years. He felt they had served the council well and set high standards for Grant Thornton to follow.

Councillor Chard thanked all the council officers involved in the production of the statement of accounts for their efforts in difficult circumstances. He hoped next year would be easier for all concerned.

Upon a vote it was unanimously

RESOLVED that the management representation letter be agreed and signed by the Chairman of the Audit Committee.

7. INTERNAL AUDIT MONITORING REPORT

The Head of Audit Cotswolds introduced the report as circulated with the agenda. This was a standard item designed to inform members of the Audit Committee about highlights of the work completed by internal audit and comment on the assurances provided by this work.

He talked members through some of the key points contained within the report. The GO ICT Host (Centre of Excellence) review had been deferred until the end of the year to allow for continued implementation. Audit Cotswolds would be relying on their colleagues within Forest of Dean Internal Audit to ensure that the GO audit plan was delivered with minimal duplication and liaison was ongoing as to the best way of approaching this. The same approach had been taken with UBICO and a separate plan produced. Internal audit had also been involved in the new risk management system, in a consultancy capacity and would be undertaking a review later in the year. Appendix 1 summarised the work completed to date and the future AGS process going forward.

The Head of Audit Cotswolds gave the following responses to member questions;

- It was envisaged that GO Shared Services and Ubico would complete a certificate of assurance but this would very much be trial and error initially. The KPMG Auditor commented that the GO Partners would need to agree a consistent approach rather than four separate approaches.
- The Gifts & Hospitality and Equalities items to be added to the Significant Issues Action Plan were the result of an internal reviews that had identified issues rather than as a result of changes to legislation.
- The operation audit days identified for GO and Ubico in item 3.7 did not include residual days for retained services and was based on historic knowledge. This would no doubt be evolutionary but these days and the associated fees had been agreed as part of Service Level Agreements and additional days would impact the budget.

Upon a vote it was unanimously

RESOLVED that the report be noted.

8. WORK PROGRAMME

The work programme had been circulated with the agenda.

No additions were made by members.

In response to a query raised by a member of the Committee the Chairman assured members that it was systemic for the Overview & Scrutiny Committee to refer issues to the Audit Committee and vice versa. The process had not changed as a result of the move from three to one O&S Committee.

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

The Director of Resources provided an update on the GO restructure. A number of people had taken voluntary redundancy so there had been no compulsory redundancies and all posts had been filled. When considering the proposed structure, the Senior Leadership Team at CBC had raised concerns about the resilience of the Payroll function and as a result more resource had been put into the administration of the Payroll function. Whilst somewhat premature he was confident that savings would be realised and a high quality, resilient service delivered.

10. DATE OF NEXT MEETING

The next meeting was scheduled for the 09 January 2013.

Paul Massey
Chairman

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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the cost in the year of providing services, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11			2011/12		
Gross expenditure	Gross income	Net expenditure	Gross expenditure	Gross income	Net expenditure
£'000	£'000	£'000	£'000	£'000	£'000
Continuing Operations					
9,743	(8,482)	1,261	9,877	(8,747)	1,130
10,604	(3,737)	6,867	10,017	(3,500)	6,517
7,724	(4,231)	3,493	7,449	(4,524)	2,925
3,630	(1,657)	1,973	2,989	(1,475)	1,514
4,814	(6,174)	(1,360)	4,590	(6,158)	(1,568)
60,565	(17,057)	43,508	17,233	(18,052)	(819)
-	-	-	27,414	-	27,414
34,068	(33,167)	901	34,808	(33,579)	1,229
2,668	(311)	2,357	2,384	(361)	2,023
(11,026)	(150)	(11,176)	1,656	(150)	1,506
122,790	(74,966)	47,824	118,417	(76,546)	41,871
fares transferred to Gloucestershire County Council 1 April 2011					
2,337	(642)	1,695			
125,127	(75,608)	49,519	118,417	(76,546)	41,871
1,328	(281)	1,047	882	(676)	206
4,492	(1,350)	3,142	518	(1,399)	(881)
(2,714)	-	(2,714)	(253)	-	(253)
(25)	-	(25)	-	-	-
-	(17,519)	(17,519)		(15,905)	(15,905)
128,208	(94,758)	33,450	119,564	(94,526)	25,038
(1,265) (Surplus) / Deficit on revaluation of non-current assets (note 34)					
(21,417) Actuarial (gains) / losses on pension fund assets / liabilities (note 42)					
(22,682) Other Comprehensive Income and Expenditure					
10,768 Total Comprehensive Income and Expenditure					

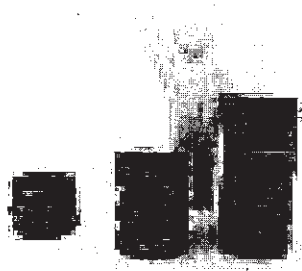
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the cost in the year of providing group services, in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; and this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11			2011/12		
Gross expenditure £'000	Gross income £'000	Net expenditure £'000	Gross expenditure £'000	Gross income £'000	Net expenditure £'000
Continuing Operations					
9,743	(8,482)	1,261	9,877	(8,747)	1,130
10,604	(3,737)	6,867	9,926	(3,474)	6,452
7,724	(4,231)	3,493	7,540	(4,550)	2,990
3,630	(1,657)	1,973	2,989	(1,475)	1,514
4,814	(6,174)	(1,360)	4,590	(6,158)	(1,568)
-	-	-	27,414	-	27,414
60,637	(17,057)	43,580	17,233	(18,079)	(846)
34,068	(34,151)	(83)	34,808	(33,969)	839
2,668	(311)	2,357	2,384	(361)	2,023
(11,026)	(150)	(11,176)	1,656	(150)	1,506
Total Cost of Continuing Operations excluding Concessionary					
122,862	(75,950)	46,912	118,417	(76,963)	41,454
2,337	(642)	1,695	-	-	-
125,199	(76,592)	48,607	118,417	(76,963)	41,454
252	(281)	(29)	882	(676)	206
4,596	(1,354)	3,242	518	(1,573)	(1,055)
(2,714)	-	(2,714)	(253)	-	(253)
(25)	-	(25)	-	-	-
-	(17,519)	(17,519)	-	(17,011)	(17,011)
127,308	(95,746)	31,562	119,564	(96,223)	23,341
		(362)			(56)
		17			-
		31,217			23,285
		(1,283)			4,712
		(28,431)			9,543
		-			-
		(29,714)			14,255
		1,503			37,540

Change to Designation of Private Drainage

The Flood and Water Management Act 2010 changed the designation of the majority of private drainage to public sewers on October 1st 2011. Responsibility for these newly transferred public sewers falls to Severn Trent Water. From Building Control's point of view this means that the council needs to invest more time in identifying drainage systems and this has a cost to the service. The cost, so far, does not appear to be substantial but this change will have a long period of 'development' before a fully functioning system is operational.



CAPITAL EXPENDITURE

In 2011/12 the council spent £13.029m on capital projects and grants, compared with the revised budget of £9.244m.

Included in the expenditure for the year was £4.740m on major repairs and maintenance of council houses, £0.349m on disabled adaptations within the council housing stock, £0.653m on private sector disabled facility grants and adaptation support grants, £0.090m on other grants mainly for private sector housing improvements, £1.790m on housing enabling through partnership working with Cheltenham Borough Homes (CBH) which included the Brighton Road redevelopment scheme, £1.983 million on vehicles and plant and a capital loan to Gloucestershire Airport of £1.195m towards the runway safety project..

In addition a further £27.414m has been spent from the Housing Revenue Account in respect of the settlement payment made by the local housing authority to the Secretary of State for the commencement of self-financing of the Housing Revenue Account.

The major variances between the revised budget and outturn position are in respect of the Art Gallery and Museum Development which is being financed from lottery funding and reserves, the purchase of Vehicles and recycling caddies and delays in progress of the transformational improvement programme at St Pauls.

Like most local authorities, the council has been paying for a proportion of its capital expenditure from the proceeds of the sale of its assets. As a result of the downward trend in the economy and housing market specifically, this source of financing has been significantly reduced and only £1.102m of capital receipts were available to finance capital expenditure in 2011/12. The remaining sources of finance were Government Grants £0.423m, developer contributions and partnership funding £0.999m, with £1.065m coming from revenue financing.

During 2011/12 the council took out £4.7m of new borrowing to finance housing enabling, vehicles and recycling caddies, the Everyman Theatre restoration and the Airport loan.

During the year the council sold 9 dwellings under the 'right to buy' scheme.

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Audit Committee, 19 September 2012

2011/12 Statement of Accounts

Key changes and highlights

Martyn Scull
Group Accountant

Sarah Diccote
Group Accountant

1

Areas to be covered

- Legal background
- Changes to Code of Practice for 2011/12 statement
- Financial highlights
- Differences between Management Accounts and Statement of Accounts
- Questions

2

The Legal Framework

- Audit Commission Act 1998 – requirement to prepare an annual Statement of Accounts
- Local Government Act 2003 - accounts to be prepared in accordance with 'proper accounting practices' and the Accounts and Audit Regulations 2003 (as amended in 2011)
- Proper accounting practices are defined by the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* (the 'Code') (previously the SORP)
- Local Government & Housing Act 1989 - separate Housing Revenue Account (HRA) - 'ring-fenced'
- Statutory requirement to maintain a separate Collection Fund for council tax and business rates

3

Code of Practice on Local Authority Accounting – the rules!

- Accounts must be prepared in accordance with the Code
- From 2010/11 the Code is based on International Financial Reporting Standards (IFRS)
- Additional requirements for 2011/12 e.g. Heritage Assets
- 2011/12 Code guidance notes have 827 pages
- 2011/12 Statement of Accounts has 130 pages (65 pages in 2005/06)

4

Main Presentational Changes

- Heritage Assets – recognised in Financial Statements for the first time
- Related party disclosures – amended definitions and disclosures
- New disclosure for the number and cost of agreed exit packages
- Additional disclosure requirements for 'soft' loans
- New disclosure requirements in relation to Trust Funds (reinstatement of previous SORP requirement)

5

Financial highlights in 2011/12 - General Fund Revenue Expenditure

- **Enhancing and Protecting our Environment £3.103 million**
Includes Parks & Gardens, Allotments, Refuse collection, Recycling, Pollution control, Pest control, Shopmobility
- **Strengthening our Economy £371,000**
Includes Business & Economic development, Tourism, Twinning
- **Strengthening our Communities £4.897 million**
Includes disabled facilities grants, Homelessness, Single Advice contract, crime and disorder, leisure @, sports development
- **Enhancing the provision of Arts & Culture £2.186 million**
Includes Art Gallery & Museum, Town Hall & Pump Rooms, Everyman Theatre, Arts grants/enabling

Page 11 provides a further breakdown of revenue expenditure in 2011/12 by council priority.

6

Financial highlights in 2011/12 – General Fund

- Overall under-spend compared to revised budget for the GF of £150,000, included in the GF balance of £2.253 million at year end.
 - Overall reduction in Net Assets of £31.7 million, mainly as a result of :
 - Increased long term borrowing to fund buy out of HRA subsidy of £27.4 million
 - Increase in Pensions liability of £8.4 million
- Offset by-
- Revaluation gains on property assets of £2.9 million
 - Increased value of Icelandic bank investments of £0.3 million

- Earmarked reserves reduced by £1.2 million.

7

Financial highlights 2011/12 - Capital

- £13 million spent on capital items, including:
 - £4.7 m - housing stock
 - £1.8 m - provision of affordable housing
 - £1.2 m - recycling vehicles, bins and caddies
 - £1.0 m - contribution towards the Art Gallery & Museum redevelopment
 - £1.25 m - towards the Everyman redevelopment project
 - £1.20 m - loan to Gloucestershire Airport for the runway project
- £2.4 million in capital receipts were received, of which £1 million was used to fund capital expenditure and £0.5 million paid to the national HRA capital receipts pool
- £1 million in partnership funding was used
- £4.7 million in prudential borrowing

8

Financial highlights 2011/12 – Housing Revenue Account (HRA)

- Under-spend compared to revised budget for the HRA of £391,000
- Overall reduction in HRA balance from £3.7 million to £3.1 million
- HRA Self Financing Settlement - £27.4 million
- 9 properties sold, 1 addition

9

Financial highlights 2011/12 – Group Accounts

- Group accounts show net assets of £204 million, a reduction of £38 million:
 - £31.7 m reduction in GF reserves
 - £6.2 m downward revaluation in Glos. Airport
- Property, Plant & Equipment includes £3.6 million for CBH dwellings under construction

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Icelandic Bank investments

- Repayments of £6.7 million received in 2011/12, as shown Page 69
- Increase in value of remaining loans of £0.4 million
- Interest due of £0.380 million credited to I&E and transferred to reserves for future possible debt repayment
- Of the original £11 million invested an estimated £10.4 million (94%) will currently be recovered, subject to exchange rate fluctuations
- But no interest is receivable from the claim to the repayment dates

11

Ongoing / Future Plans

- Commissioning
- Civic Pride
- Gloucestershire Airport – Runway project
- Bridging the Gap
- Art Gallery & Museum Redevelopment
- St Pauls Regeneration
- HRA Self Financing
- Flood Relief Work
- Sale of North Place and Portland Street Car Parks

Pages 13 – 17 provide details

12

Difference between Management Accounts and Statement of Accounts

- **£150k surplus** on Management accounts (page 9), as reported to Council June 2012
- **£25 million deficit** on Comprehensive Income & Expenditure Statement (page 21)

Comprehensive Income & Expenditure Statement includes:

- Housing Revenue Account (HRA) - £26.6 million deficit
- Items such as depreciation, capital grants, gains or losses on asset disposals, and additional pension costs. These items are taken out of the surplus or deficit of the I&E in the Movement in Reserves Statement, so they do not impact on council tax

Management accounts include:

- Items such as debt repayments, revenue funding of capital expenditure and transfers to and from earmarked reserves. These items are added to the surplus or deficit of the I&E in the Movement in Reserves Statement, to ensure they do impact on council tax

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Any Questions?



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19 November 2012

Dear Andrew

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £64,974, which compares to the scale fee of £108,290 for 2011/12 (a reduction of 40%). The final audit fee charged by your previous auditors for 2011/12 was £116,790 (8% over the scale fee).

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our VFM conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £12,750.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarter's in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£
December 2012	32,487.00
January 2013	16,243.50
March 2013	16,243.50
Grant Certification	
June 2013	12,750
Total	77,724

Outline audit timetable

We will undertake our audit planning and interim audit procedures between December 2012 and April 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in September 2013 and work on the whole of government accounts return in October 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2012 to April 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	June to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	October 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13 are:

	Name	Phone Number	E-mail
Engagement Lead	Peter Barber	0117 305 7897 07780 456122	Peter.A.Barber@uk.gt.com
Engagement Manager	Peter Smith	0117 305 7832 07780 456140	Peter.W.Smith@uk.gt.com
Audit Executive	Paul Benfield	0117 305 57894	Paul.M.Benfield@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact John Golding, our Public Sector Assurance regional lead partner (John.Golding@uk.gt.com).

Yours sincerely

Peter Barber
For Grant Thornton UK LLP

Cheltenham Borough Council Audit Committee – 9 January 2013 Internal Audit Monitoring Report

Accountable member	Cabinet member corporate services
Accountable officer	Head of Audit Cotswolds – Robert Milford
Accountable scrutiny committee	Economy and business improvement
Ward(s) affected	All
Key Decision	No
Executive summary	<p>The council must ensure that it has sound systems of internal control that facilitate the effective management of all the council's functions. The work delivered by AuditCotswolds, the council's internal audit service, is one of the control assurance sources available to the Audit Committee, the Senior Leadership Team and supports the work of the external auditor.</p> <p>The Annual Internal Audit Opinion presented to Audit Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Monitoring Report however is designed to give the Audit Committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurances on the control environment.</p>
Recommendations	The Audit Committee considers the report and makes comment on its content as necessary

Financial implications	<p><i>There are no direct financial implications arising from this report.</i></p> <p>Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p><i>None specific arising from the report recommendation.</i></p> <p>Contact officer: Peter Lewis, peter.lewis@teWKesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p><i>No additional HR implications arising from this report.</i></p> <p>Contact officer: Julie McCarthy, HR Operations Manager julie.mccarthy@cheltenham.gov.uk, 01242 26 4355</p>

<p>Key risks</p>	<p>That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.</p>
<p>Corporate and community plan Implications</p>	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”</i> (Chartered Institute of Internal Auditing UK & Ireland).</p> <p>Therefore the internal audit activity impacts on corporate and community plans.</p>
<p>Environmental and climate change implications</p>	<p>One of the specialist skills now provided by the service is that of environmental auditing. This would therefore aid the Council in its environmental and climate change objectives.</p>

1. Background

- 1.1 The Annual Audit Plan was aligned with the corporate and service risks facing the Council as identified in consultation with the Senior Leadership Team and supported by such systems as the risk registers. At the time of preparing the 2011/12 plan, the Councils Corporate Strategy 2010-2015 was being reviewed and, as internal audit is there to help the organisation to achieve objectives, part of the plan has been aligned to elements of this strategy. However, to inform the audit plan we have also reviewed other key documents, such as the recently prepared Medium Term Financial Strategy, change programme agendas and updates to the business plan, many of which contain risk assessments.
- 1.2 There is also a requirement to support the work of the External Auditor (formerly KPMG, now Grant Thornton). This is in the form of financial audits usually governed by the Joint Working Agreement, and the governance audits to support such activities as value for money.
- 1.3 The audit plan also considered risks that may evolve during the year. The consultation process has sought to identify these areas considering where internal audit could support and add value to the risk control process. This report identifies work we have completed in relation to the planned audit work.

2. Reasons for recommendations

- 2.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change e.g. the GO Programme impacting on core financial systems, Shared Services impacting on core governance arrangements, etc.
- 2.2 Therefore Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. This prompts the requirement to move to a more flexible and risk based plan.
- 2.3 It should also be recognised that the service is now a partnership so coordinating resources across multiple organisations is critical to the success of the partnership.
- 2.4 This report highlights the work completed by internal audit and provides comment on the assurances provided by this work.

3. Internal Audit Output

- 3.1 The internal audit service commenced quarter 1 with reduced resources due to a gradual recruitment process to reduce the impact on management providing training. The service has successfully recruited two new staff, one assistant auditor and one internal auditor. There remains a vacancy for an internal auditor which will be filled from January 2013. However there is still the expectancy to complete the audit plan 2012/13 as planned and a contracted auditor has been used.
- 3.2 Internal Audit has concluded the following audits:

Audit	Report status	Assurance
Leisure @	Final	Satisfactory

Performance Management & Strategic Commissioning	Draft	
Single Post Service Vulnerabilities & Workforce Capacity Management	Draft	
Implementation of new legislation e.g. Localism Act, etc	Final	Satisfactory (no report)
Grosvenor Terrace Refurbishment Project	Consultancy	
Commissioning - General	Consultancy	
Commissioning - Leisure & Culture	Consultancy	
Commissioning - ICT Project	Consultancy	
Commissioning - ICT Project (due diligence)	Final (Phase 1)	Feasibility review
GO ICT Host CofE Security & Systems Admin	Interim (draft)	
Investigation - ICT virus	Draft	
Council Tax	WIP	
Service Governance - GO & Ubico	WIP	
Housing & Council Tax Benefit	WIP	
Art Gallery & Museum Project	Consultancy	

3.3 Further detail specific to each audit finalised is shown in **Appendix 1**.

3.4 AuditCotswolds has also undertaken the following:

- Audit provision for GO Shared Service
- Audit provision for Ubico Ltd
- Audit Provision for Cheltenham Borough Homes

3.6 The level of involvement the internal audit service has within the Cheltenham Borough Council change programmes is substantial but it is considered necessary when there is such a high level of risk with such significant changes being introduced. This is in line with the audit plan for 2012/13.

3.9 Further consultancy work was undertaken in relation to Counter Fraud. Internal Audit has a significant role in counter fraud work and as such the Head of Audit Cotswolds has been working with the Benefit Fraud Team at Cheltenham BC and other partner Councils to develop a more coordinated and proactive approach to counter fraud. In the March Audit Committee meeting there will be a Counter Fraud plan presented that outlines the 2013-14 approach to Counter Fraud work on a risk basis.

Report author	Robert Milford, Head of Audit Cotswolds, 01242 775174, Robert.milford@cheltenham.gov.uk
Appendices	1. Internal Audit Monitoring Report
Background information	None

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Internal Audit Monitoring Report

Audit	Report status	Assurance
Leisure @	Final	Satisfactory

Overview and Key Findings

This is the first business systems audit of Leisure@ since it re-opened in August 2008 following the floods. Since that date there have been reviews of key areas such as health and safety in 2009 and wages in 2010.

At the start of the audit there was a possibility that part of the service covering memberships and direct debits would be outsourced to a company called MCA. This formed part of the original audit scope. However, during the course of the audit the decision was made not to pursue this option any further.

The audit scope covered financial management reporting, income generation strategies, systems administration, debt management procedure, physical building control, risk assessments, customer service, admin, direct debits and memberships.

The main business system continues to be XN Leisure which handles all booking, ticketing and cash receipting activity as well as providing detailed management reports. Cheltenham Borough Council went live with a new integrated HR and finance system called Agresso Business world (ABW) in April 2012 as part of the implementation of the Go Shared Service (GOSS). This resulted in some initial problems in respect of financial reconciliations and reporting which are now being resolved so that up to date management information can be produced against income targets and to track salary costs in particular. Going forward, the requirement for specialist financial expertise and support as part of a proposed independent Trust needs to be carefully considered in respect of the management structure and administration functions.

The audit has highlighted several XN system administration and system based control procedures which need tightening up, including; membership income collected via BACS direct debit, XN data integrity checks and removing inactive users.

During the course of the audit there were several IT and power related issues, including a serious virus which effected large parts of the network for several days. This downtime impacted heavily on Leisure@ as they were unable to take card payments or carry out other day to day duties such as cashing up. These issues highlighted a need for a full business continuity document

covering procedures to be followed when there is a loss of power, IT or other key elements of their service.

Income generation is a priority for Leisure@ both now and in the future, alongside maintaining accessibility to services and meeting the needs of the community. The leisure market in Cheltenham is highly competitive and Leisure @ has greatly increased its promotional activity, targeting contract memberships in particular. Although promotional activity is reported on there is work to do to improve the administration of these schemes on XN and develop management information about the costs and outcomes of each promotion. We understand the imminent upgrade of XN to the new version "Dimensions" will offer better functionality and control in this area. We also noted that control over concessionary memberships could be improved. Although the current financial value of discounts is not significant now, this could increase significantly given the potential to greatly increase student membership through closer partnership working with local HE providers.

As part of its marketing activity Leisure@ makes extensive use of digital and social media with its dedicated website, Facebook and Twitter. These are frequently used to advertising services and inform customers about new offers and activities. However, there is a need to implement the recently purchased on-line booking facility, Horizons, as soon as possible both to increase booking activity. This should also reduce reliance on customer services resources to manage routine bookings activity thereby freeing up resources to focus on sales and marketing.

Our report also discusses particular risks associated with physical access to and security of the main Leisure@ building and makes recommendations about reviewing these risks and introducing enhanced customer information for users of the specialist fitness equipment in the gym in line with insurance requirements.

Management Response to Findings and Recommendations

We welcome the satisfactory assurance level and highlight the actions in the action plan document. Financial support will be critical as the service transitions to a new management arrangement in 2013/14 as a result of the commissioning process.

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Cheltenham Borough Council Audit Committee – 9 January 2013 Audit Charter

Accountable member	Cabinet member corporate services
Accountable officer	Head of Audit Cotswolds – Robert Milford
Accountable scrutiny committee	Economy and business improvement
Ward(s) affected	All
Key Decision	No
Executive summary	<p>As from 1st April 2013 the internal audit service at Cheltenham BC will be required to comply with the Public Sector Internal Audit Standards (PSIAS) as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA).</p> <p>The Audit Charter is one of the documents that demonstrates how the service will operate and forms part of the requirements of the PSIAS. The Audit Charter was last approved by this committee in 2009 at the formation for the Cheltenham and Cotswold audit partnership.</p>
Recommendations	The Audit Committee approves the Audit Charter

Financial implications	<p><i>There are no direct financial implications arising from this report.</i></p> <p>Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p><i>None specific arising from the report recommendation.</i></p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p><i>No additional HR implications arising from this report.</i></p> <p>Contact officer: Julie McCarthy, HR Operations Manager julie.mccarthy@cheltenham.gov.uk, 01242 26 4355</p>
Key risks	<p>That without the Charter in place there is a lack of direction and control for the service and a lack of understanding with management as to what the service provides</p>

Corporate and community plan Implications	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”</i> (Chartered Institute of Internal Auditing UK & Ireland).</p> <p>This is the mission of Audit Cotswolds as set out in the Charter</p>
Environmental and climate change implications	<p>Environmental and climate change issues are considered when reviewing elements of a shared service as set out in the Charter.</p>

1. Background

- 1.1 With the introduction of the Public Sector Internal Audit Standards (PSIAS) approaching for a 1st April 2013 requirement, and following the final governance changes to the internal audit partnership earlier in the year, it is an appropriate time to revisit the Audit Charter and ensure it is fit for purpose for April 2013.
- 1.2 This Charter is being presented for approval at each of the Audit Cotswolds Audit Committees with the intention to ensure standardisation of audit operations.

2. Reasons for recommendations

- 2.1 Under the terms of reference for the Audit Committee one of its key responsibilities is in relation to the provision of internal audit. The committee is required to ensure an effective internal audit service is provided and that they can provide a reasonable assurance to the committee on the control framework in operation at Cheltenham BC.

3. Audit Charter

- 3.1 Since April 2012 a Section 101 agreement and Service Level Agreement has been in place to formally establish the partnership (Audit Cotswolds) as the internal audit provider for Cheltenham BC, Cotswold DC and West Oxfordshire DC local authorities.
- 3.2 This partnership is managed by the Head of Audit Cotswolds and the Audit Partnership Board. There are other governance arrangement in place, such as, a 3-year resources and financial plan along with the Audit Charter.
- 3.3 The Charter details the internal audit partnership mission and objectives. It also provides guidance on its authority, accountability, customer care (quality control), independence, reporting, responsibility and audit standards.
- 3.4 Appendix 1 of this report sets out the full Audit Partnership Charter. It should be noted that the Charter is being approved by all of the partner Council’s Audit Committees.

4 Conclusion

- 4.1 The Charter has set out the various roles and responsibilities that Audit Cotswolds considers part of its function.

Report author	Robert Milford, Head of Audit Cotswolds, 01242 775174, Robert.milford@cheltenham.gov.uk
Appendices	Appendix 1 – Audit Charter
Background information	none

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“Working in partnership for a sustainable and resilient quality service”

AuditCotswolds



Audit Partnership Charter

January 2013

Mission and Objectives

The mission of the Cheltenham, Cotswold & West Oxfordshire Audit Partnership, named AUDIT COTSWOLDS is to provide independent, objective assurance and consulting services designed to add value and improve the partner Council's operations. It helps each Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

AUDIT COTSWOLDS works in partnership with all of its customers to provide a service the scope of which is to determine whether each Council's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Communicating risk and control information to appropriate areas of the organisation.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Ensuring effective organisational performance management and accountability
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programmes, plans, and objectives are achieved.
- Promoting appropriate ethics and values within the organisation
- Evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities
- Assess whether the information technology governance of the organisation supports the organisation's strategies and objectives
- Quality and continuous improvement are fostered in each Council's control process.
- Significant legislative or regulatory issues impacting each Council are recognised and addressed appropriately.
- Appropriate counter fraud arrangements operate.
- Coordinating the activities of and communicating information among the board, external and internal auditors and management
- Opportunities for improving management control, cost effectiveness, and each Council's image may be identified during audits. They will be communicated to the appropriate level of management.

Accountability

The Head of the Audit Partnership in the discharge of his duties, shall be accountable to the Audit Partnership Board, Corporate Management / Senior Leadership Teams and each Audit Committee to:

- Provide annually an Audit Opinion on the adequacy and effectiveness of each organisation's processes for controlling its activities and managing its risks, based on evidenced assurance and consulting work through the year.

- Derive the Annual Audit Plan, in consultation with senior management, aligned to organisational objectives and risks, and as approved by the relevant Audit Committee.
- Ensure there are appropriate resources in place to deliver the Annual Audit Plan, and where there is a resource shortfall/surplus; work with the Audit Partnership Board to resolve the issue.
- Report significant issues related to the processes for controlling the activities of each organisation and its affiliates, including potential improvements to those processes, and provide information concerning such issues through to resolution.
- Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency of the Partnership's resources, including a review of its own efficiency and effectiveness.
- To support and review each Council's overall control environment which links to the annual governance statement (for example; risk management arrangements, policy and procedure compliance, security, ethics, environmental and external audit).
- To deliver the Audit Partnership in line with the principles as set out in the Section 101 Agreement.

The Partnership Board, formed by Section 151 Officers from each partner authority, has the key purpose to ensure the Audit Partnership meets with statutory requirements. These statutory requirements are listed below:

- Internal Audit is a statutory function in the context of the Accounts and Audit (England) Regulations 2011 which state *"A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"*.
- Section 151 of the Local Government Act 1972 requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. One of the ways in which this duty is discharged is by maintaining an adequate and effective Internal Audit function.

Independence

To provide for the independence of the Internal Audit Service, the Head of the Audit Partnership reports to the Partnership Board for partnership matters and functionally to the Corporate Management / Senior Leadership Team and to each Audit Committee in a manner outlined in the above section on accountability.

Responsibility

The Head of the Audit Partnership has responsibility to:

- Develop a flexible Annual Risk Based Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Corporate Management / Senior Leadership Team and the relevant Audit Committee for review and approval as well as periodic updates.
- Implement the Annual Audit Plan, as approved, including as appropriate any special tasks or projects requested by management.

- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional / academic certifications to meet the requirements of this Charter and in particular ensure deliverability of the Annual Audit Plan. This includes the maintenance of Continuous Professional Development (CPD) plans for all audit staff.
- Evaluate and assess significant merging/consolidating functions e.g. shared services, and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Partnership Board, Corporate Management / Senior Leadership Team, and the Audit Committees summarising results of audit activities.
- Keep the Partnership Board informed of emerging trends and successful practices in internal auditing.
- Provide performance indicators, measurement goals and results to the Partnership Board and each Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities as requested by the Partnership Board members and notify the appropriate Service Manager, Assistant Director, Director, Section 151 Officer and the Chief Executive of the results.
- Work with the Benefits Fraud Investigation Teams to ensure that Counter Fraud activity is managed effectively and investigations are appropriately controlled in line with corporate policy
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the partner organisations at a reasonable overall cost.

Customer Care

The Head of the Audit Partnership and the staff of AUDIT COTSWOLDS will ensure that customer care is at the centre of its activities and shall:

- Operate a process by which the quality of service received by the customer can be assessed by the customer and the customer can influence improvements in the service they can expect to receive.
- Consultation with all customer groups will ensure that the local standards adopted by AUDIT COTSWOLDS are determined by the customers.
- All Annual Audit Plan work will have an appropriate Terms of Reference that has input from the client. The client will be provided with a copy of the Terms of Reference.
 - Assurance work will be aligned with two parties; Audit Committee through the Head of the Audit Partnership, and the client
 - Consultancy work will be aligned with the client
- Standards will be continually reviewed in accordance with customer feedback.
- Compliance with standards will be monitored by the Partnership Board.
- Apply the principal of Best Value to the management and performance of the service.
- An effectiveness review will be undertaken annually to ensure compliance with appropriate standards, and at least once every 5 years entertain an external assessment.
- Consideration will be given to the minimisation of duplication through alignment of other assurance provider's activity, for example, reliance placed on the work of the external auditor
- All audit work will be subject to internal quality assurance checks by audit partnership management

Reporting

Reporting on audit work:

Draft reports will be issued to the client (usually the Service Manager) following each audit that:

- restates the scope and purpose of the work (as defined in the agreed terms of reference) to help the reader understand the extent, or limitations, of the assurance provided in the report
- includes assurance opinions on the evaluation of the system under review and the level of compliance with controls
- provides a formal record of points arising from the audit and, where appropriate, lists control weaknesses identified and offers a recommendation for management's consideration and acceptance.

Draft reports and action plans will be issued within **10 working days** of completion of fieldwork and discussed with the client, to seek factual clarification. Management responses should be received within a further **10 working days**; either stating acceptance of the recommendations and agreeing action to be taken, or stating reasons why the recommendations are not accepted. There is opportunity for management to make further comments about issues raised in the audit within the report.

Any disputed recommendations should be evidenced on the action plan and if not resolved through discussion, any significant risk should be escalated to more senior management and, if necessary, reported to the Audit Committee.

Final reports will be issued to the following:

- the client (usually the Service Manager)
- the appropriate Director
- the external auditor
- the Audit Committee (on request)
- the Head of Service or equivalent
- the Section 151 Officer
- where appropriate other stakeholders, such as, partner internal audit services, governance & risk groups, shared service governance groups

Reporting to the Audit Committee:

Quarterly assurance reports will be presented to the Audit Committee summarising the work carried out during the quarter and the assurance opinions given. Progress against the annual plan will also be reported, any variances explained and any issues which may have an impact on the satisfactory completion of the plan, such as staffing concerns or unexpected additional workloads, will be highlighted.

The content of the quarterly report to Audit Committee is the executive summary, audit opinion and management response. Detailed recommendations will only be reported where there is a failure to implement the recommendation in a timely manner, this will be part of the follow-up report issued as part of the quarterly report. This ensures Audit Committees focus on key risks, in particular, those arising from failure to implement recommendations.

The Head of Internal Audit's annual report will be issued, timed to support the Annual Governance Statement. This will include an opinion on the overall adequacy and effectiveness of the Council's control environment and a summary of work from which the opinion is derived, including reliance placed on work by other assurance bodies. Any qualifications to that opinion, together with the reasons for it, will be disclosed. The report will also include a comparison of planned work for the year with the actual work carried out and summarise actual performance of the service against its performance measures and targets.

Authority

The Head of the Audit Partnership and staff of AUDIT COTSWOLDS are authorised to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Chief Executive and the members of each Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in Service Areas of each Council where they perform audits, as well as other specialised services from within or outside the Council.

The Head of the Audit Partnership is authorised to;

- Report to the relevant Chief Executive or other statutory officers or the Chair of the relevant Audit Committee, other Members or Officers; without reference to his Partnership Board representatives should that be deemed appropriate.
- Report to the Partnership Board members individually for all audit matters relating to that partner authority.
- Share partnership matters with all Partnership Board members even when the matter may only affect one partner.

The Head of the Audit Partnership and staff of the partnership are not authorised to:

- Perform any operational duties for the Council or its affiliates without the approval of the Partnership Board.
- Initiate or approve accounting transactions external to AUDIT COTSWOLDS.
- Direct the activities of any Council employee, except to the extent such employees have been appropriately assigned to AUDIT COTSWOLDS.

Standards of Audit Practice

AUDIT COTSWOLDS will meet the Standards for the Professional Practice of Internal Auditing of The Chartered Institute of Internal Auditors (UK & Ireland), and of the Chartered Institute of Public Finance and Accountancy Public Sector Internal Audit Standards 2012. The Head of the Audit Partnership fulfils the role of 'Head of Internal Audit' as defined by CIPFA (2010)

Partnership Board

Mark Sheldon – Cheltenham BC

Director of Resources (Section 151 officer)

Supported by

Robert Milford

Head of the Audit Partnership

Jenny Poole – Cotswold DC

Head of Finance, GO Shared Services and Audit Services (Section 151 officer)

Paul Stuart – West Oxfordshire DC

GOSS Head of Finance (Section 151 Officer's nominated representative)

Glossary

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The HIA may be unable to give an assurance if arrangements are unsatisfactory.

Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the organisation's policies, processes and controls and the second being managers' own checks of this first line.

Audit Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting

Consultancy

Advisory and related client service activities, the nature and scope of which are agreed by the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility.

Corporate Management / Senior Leadership Team

The most senior officer group within the organisation that includes the Chief Executive Officer.

Governance

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users and operates in an economical, effective, efficient and ethical manner.

Head of Internal Audit	<p>This is defined by CIPFA, in the role of the head of internal audit in public service organisations 2010 as follows:</p> <p>The Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:</p> <ul style="list-style-type: none">• championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and• giving an objective and evidence based opinion on all aspects of governance, risk management and internal control. <p>To perform this role the Head of Internal Audit:</p> <ul style="list-style-type: none">• must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;• must lead and direct an internal audit service that is resourced to be fit for purpose; and• must be professionally qualified and suitably experienced
Partnership Board	<p>This is the Section 151 Officer group established to monitor the delivery of the key aims as set out in the Section 101 Agreement and fulfils the role of providing strategic direction for the partnership. This group also aids the Section 151 Officer in the delivery of their statutory function of ensuring an effective internal audit.</p>
Risk Based Audit	<p>An audit that:</p> <ul style="list-style-type: none">• identifies and records the objectives, risks and controls• establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives• evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks• identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate• determines an appropriate strategy to test the effectiveness of controls ie through compliance and/or substantive testing• arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.
Section 101 Agreement	<p>This is the document that sets out the terms by which Cheltenham Borough Council, Cotswold District Council and West Oxfordshire District Council, will work together in the provision of a joint/shared Internal Audit Service for the mutual benefit of the three Councils</p>
System of internal control	<p>The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.</p>

**Cheltenham Borough Council
Audit Committee – 9 January 2013
Governance & Internal Audit Role**

Accountable member	Cabinet member corporate services
Accountable officer	Head of Audit Cotswolds – Robert Milford
Accountable scrutiny committee	Economy and business improvement
Ward(s) affected	All
Key Decision	No
Executive summary	<p>The council must ensure that it has sound systems of internal control that facilitate the effective management of all the council's functions. The work delivered by AuditCotswolds, the council's internal audit service, is one of the control assurance sources available to the Audit Committee, the Senior Leadership Team and supports the work of the external auditor.</p> <p>The Annual Internal Audit Opinion presented to Audit Committee provides an overall assurance opinion at the end of the financial year. This report provides the Audit Committee with an overview of how Internal Audit operates to provide the assurances in services operating with other organisations.</p>
Recommendations	The Audit Committee considers the report and makes comment on its content as necessary

Financial implications	<p><i>There are no direct financial implications arising from this report.</i></p> <p>Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p><i>None specific arising from the report recommendation.</i></p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p><i>No additional HR implications arising from this report.</i></p> <p>Contact officer: Julie McCarthy, HR Operations Manager julie.mccarthy@cheltenham.gov.uk, 01242 26 4355</p>

<p>Key risks</p>	<p>That due to the governance arrangements any weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives.</p>
<p>Corporate and community plan Implications</p>	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”</i> (Chartered Institute of Internal Auditing UK & Ireland).</p> <p>Therefore the internal audit activity impacts on corporate and community plans.</p>
<p>Environmental and climate change implications</p>	<p>Environmental and climate change issues are considered when reviewing elements of a shared service.</p>

1. Background

- 1.1 Cheltenham Borough Council operates a commissioning approach to service delivery. This has resulted, in part, to the delivery of services through a shared service model. The shared service model is where Cheltenham Borough Council partners with one or more organisations to deliver the service. The benefits of this form of service delivery include, but not exclusively, cost savings.
- 1.2 When a service is delivered through a shared service model the role of internal audit varies to ensure an assurance opinion can be delivered at the end of the financial year. This is due to the changes in the governance models. The report below sets out the key considerations and phases of internal audit assurance.
- 1.3 This reports uses examples that include the GO Shared Service, ICT Shared Service and Leisure and Culture Trust projects as identified in the Audit Committee forward plan.

2. Reasons for recommendations

- 2.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change e.g. the GO Programme impacting on core financial systems, Shared Services impacting on core governance arrangements, etc.
- 2.2 Therefore Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. This prompts the requirement to move to a more flexible and risk based approach using both consultancy and assurance styles.

3. Internal Audit Role

- 3.1 The internal audit service operates differing methodologies depending on the phase at which the shared service operates. It should be noted that the phases are not necessarily clearly distinguished and a shared service may exist in multiple phases.
- 3.2 Internal Audit assessment of the phases, indicators of the phases, governance arrangements and examples:

Phase	Possible boundary objects / artifacts	Governance	Assessment of current shared service (examples)
1	Concept (Change Programme) to Business Case	Existing hierarchy decisions within existing organisations. No formal governance 'binding' the partners. Roles established in existing	ICT Shared Service Leisure & Culture

		organisations	
2	Business case to implementation – the ‘go live’ point	Existing hierarchy – project management – example Prince 2 methodology – representatives from each partner + specialists – establishment of roles linked to the project – new decision network.	GO Shared Services
3	Implementation to stability / structure (new roles in place but with new or possibly TUPE transferred personnel)	New network – change and benefit realisation actions (actions that start to deliver the benefits) and formal agreements e.g. S101 agreements. Establishment of roles linked to the new service – new hierarchy in the network emerging. Often inward looking i.e. getting fit for purpose.	GO Shared Services Ubico Ltd
4	Stability / Structure to cultural identity (new roles understood)	New network hierarchy – Delivering the service to the standard set by the new stable network in order to deliver agreed service. No longer inward looking and now fit for purpose. Network now fully crystallised and able to support growth. Own identity.	One Legal Audit Cotswolds
5	Exit / change	Collapse of governance, change of agreements, new partners, etc.	

		<p>Change of roles, loss of identity, disbanding of network, network collapse.</p>	
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3.5 Phase 1: Concept to business case

3.5.1 Internal audit in this phase will monitor the activity of the commissioning scheme, the Senior Leadership Team and other groups, for the emerging change projects and programmes. This can also be derived from such documents as, the corporate strategy, medium term financial strategy, Cabinet forward plan and the risk register. This can also be identified through enquiry with management during the course of planned audits.

3.5.2 Once the project has been identified a watching brief will be undertaken by one of the Audit Cotswolds team (often a Principal Auditor). Key indicators of risk will be assessed at this stage e.g. financial, operational, strategic, legal or other significant change markers. An initial assessment of ‘audit days’ will also be undertaken i.e. an approximation of how many days will be required at this phase and therefore what impact does it have on planned work. In the event that there is a significant change required to the plan, this is reported to the Audit Committee.

3.5.3 As the concept develops into a business case (or similar decision document), internal audit will be looking for sound controls over the development of the business case. This will include such things as; clear objective, assessment of risks, robust costings, clear ownership, etc.

3.5.4 In this phase the internal audit normally provides a consultancy approach, offering advice to support the development of a robust business case. This can included independent review of the business case, gate review assistance and assurance. However, no assurance opinion or report is produced.

3.5.5 Examples: 1) Recently the Leisure and Culture business case document was reviewed through a gateway meeting. Audit Cotswolds provided an assurance assessment of that process and also provided an independent chair for the meeting. 2) For the ICT Shared Service with the Forest of Dean DC a Principal Auditor has been part of the project team and also another member of the team coordinated some Due Diligence work with Forest of Dean DC.

3.6 Phase 2: Business case to final implementation

3.6.1 Once the business case has been approved, and all the necessary Council decisions for approval have been given, the business case is developed into an implementation plan. This can be done by the same team, but depends on the previous phase contributors. More often than not the team will be different. This phase is governed by project management methodology, but takes its direction from the business case i.e. phase 1 builds the business case, phase 2 sets out how to deliver it.

3.6.2 The implementation of the business case may run several projects at any one time. There will be an overarching decision group that makes decisions from the perspective of the overall programme. For example, in the development of Ubico Ltd in 2012, there was a project board that met on a regular basis to make decisions over the project as a whole. This board contained representatives from both Cheltenham BC and Cotswold DC (the two partner organisations), along with Legal, Finance, HR and Audit representatives.

3.6.3 Audit Cotswolds can operate multiple roles in this phase, largely driven by the ‘get it right first time’ principle – as once the project is complete, further changes will be harder to implement. In

the case of Ubico Ltd, Audit Cotswolds provided a representative to the project board and a representative on the governance project work stream. The role of the project board member was to ensure the project board operated with its own robust governance e.g. risk management in place, decision making framework agreed, etc. The role of the auditor on the governance project work stream was to provide specialist governance advice to ensure the final organisation (Ubico Ltd) had the necessary governance to function.

- 3.6.4 In this phase Audit Cotswolds is operating with a consulting methodology. There may be reports developed, but they reside with the project board and assurance is provided to the Audit Committee as an update and not a formal assurance report.
- 3.7 Phase 3: Implementation to stability / structure
- 3.7.1 Once the new shared service is 'live' there is a period where the new entity attempts to stabilise in the structure determined by the previous phase. This can sometimes be regarded as the time when the new management of the service works to operate the service as initially intended in the business case. In the case of GO Shared Services this phase commenced with Forest of Dean DC going live last year and continues at the present – management and governance structures are in place and staff have TUPE transferred but there remains completion of the structure and ERP system implementation.
- 3.7.2 There remain various projects and processes being delivered by management in this phase, but it is now the responsibility of the new entities management. There will be Cheltenham BC representation but the operational decisions are now largely taken by the new entity's management. In the Case of GO Shared Services Cheltenham BC has representation on the Client Officer Group (COG) and the Joint Member Liaison Group (JMLG), but the GO Shared Service is managed by the Head of GO Shared Services.
- 3.7.3 Audit Cotswolds role in this phase moves more towards the assurance role although a significant amount of consultancy is still provided. In the case of Ubico Ltd, Audit Cotswolds now operates an audit plan for the organisation and focuses on the organisation's own risks. Audit reports will start to be issued to the Audit Committee at Cheltenham BC, but the report is different to the reports on the system prior to the shared service. It provides assurance to Audit Committee that the control framework at Cheltenham BC operates effectively and that the delivery of the service is as set out in the agreements with the shared service; it may not necessarily now provide operational level assurances as those may be within the shared service. Reports may come via the COG's or commissioning officers rather than directly from Audit Cotswolds. This is due to the fact that the audit report will be service more than one interested party.
- 3.8 Phase 4: Stability / Structure to cultural identity
- 3.8.1 In this phase the new structure or system has been fully implemented and the controls framework is stable. This means that the shared service is now 'fit for purpose' and delivering the agreed services. The service is now able to refine the control framework and therefore the audit role can move to full assurance base activity.
- 3.8.2 This phase is where the service staff understand and develop their roles and responsibilities. This is crucial for audit assurance work as there is a reliance on the accountability of individual officers in this phase rather than management or project boards. For example in One Legal the roles and responsibilities of each staff member is now known and audit work can review clearly defined systems of control. The audit may look to benefit realisation as part of the audit objective as well as an assessment of the control framework.
- 3.8.3 In previous phases internal audit assurance work is hampered by the instability of the system as it morphs through the various changes until stable. This is due to the requirement for audit work to assess the control framework, at a moment in time, based on evidence and testing. The system needs to be stable for long enough that testing and evidence gathering can be undertaken. A new basic system of controls can take over a month to document and test

sufficiently to form an opinion. This is extremely difficult in a changing environment. Where the system is not yet stable enough for a full opinion to be given and interim report may be issued. This ensures management are aware of any issues in a timely manner and do not have to wait for a full opinion report; the audit report can become obsolete very quickly.

3.9 Phase 5: Exit / Change

3.9.1 At any point in the process the project may cease or change significantly enough to trigger the phases 1-4 to start again. For example, entry of a new partner, change of service delivery model, change of host employer, collapse of shared service.

3.9.2 The role of Audit Cotswolds in this phase can be varied, both consulting and assurance methodologies. In the event of a change of model; it may follow the phase 1-4, in the event of a shared service failure; it may be required to do a post collapse review to ascertain why it happened, or a lesson learnt exercise.

3.10 Other factors considered by Audit Cotswolds

3.10.1 Independence: this is a key feature of the internal auditor and is safeguarded as far as possible through this process. Any opinion expressed by the internal auditor needs to be both objective and independent. Audit Cotswolds has sufficient size to manage the independence and objectivity by using different officers for the different role discussed above. For example, the Head of Audit Cotswolds was providing the advisory role in the establishment of GO Shared Services (regularly attending programme board, etc). Now that assurance work has commenced a Principal Auditor has been given responsibility for running the assurance work and reporting to the GO Shared Service Management, bypassing the Head of Audit Cotswolds. This type of process is used for various projects that develop to systems, with the key requirement for the project advisors not to undertake assurance work for a minimum of 12 months.

3.10.2 Coordination and cooperation: with shared services there is a real possibility of more than one internal audit service to be involved. In the case of One Legal or Building Control there is the Cheltenham BC service (Audit Cotswolds) and the Tewkesbury BC internal audit service. Therefore it is a requirement of the Head of Internal Audit to ensure that assurance provider activity is coordinate and there is avoidance of duplication. This requires the cooperation of each internal audit service involved. To date Audit Cotswolds has relied on Tewkesbury BC internal audit for an opinion on the One Legal shared service as Tewkesbury BC is the host. Audit Cotswolds has only reviewed the service delivery in line with the agreements and not the control framework. Where this reliance on other internal audit service is identified Cheltenham BC Audit Committee will be notified.

3.10.3 External Audit: The external auditor has a responsibility to form an opinion on the final accounts inter alia, and to some extent relies on the work of internal audit. This is no different for a shared service, but may vary depending on the model used. For example Ubico Ltd has its own external auditor for its own accounts, whereas GO Shared Services produces the accounts for Cheltenham BC and therefore will be audited by Cheltenham BC's external auditor. This process could lead to duplication of effort (particularly for GO Shared Services as there are four Councils and two other organisations to which it provides financial services). Therefore one of the roles for Internal Audit is to help coordinate the work of internal and external audit. This may be easier now that Grant Thornton is the external auditor for all GO Shared Service partners/clients.

3.10.4 Internal Audit Standards: As from the 1st April 2013 there are new standards for internal audit to follow in local government (Public Sector Internal Audit Standards (PSIAS)). However, some of the shared services operate under different core governance e.g. Companies Act for Ubico, possibly Charities Commission for the Leisure & Culture Trust. This therefore requires Audit Cotswolds to be versatile enough in operational standards and expertise to deliver internal audit services to these organisations. Hence Audit Cotswolds has opted to adopt the Chartered Institute of Internal Auditors (UK & Ireland) standards as their preferred standard. This standard meets all the requirements of the Local Government standards plus gives flexibility for other

environments. The Head of Audit Cotswolds is a Chartered Member of this institute.

3.10.5 Residual service: Once a shared service has been established there will inevitably be some residual service left within Cheltenham BC even if it is only service delivery monitoring. These elements are reviewed by Audit Cotswolds as necessary and in relation to the residual risks. For example, within the plan for 2012-13 there is a review of the residual services following the formation of Ubico Ltd.

4 Conclusion

4.1 This report has set out the various roles and responsibilities that Audit Cotswolds considers in the governance assurance work in the shared service environment. The issues described above are not exhaustive but cover the key elements.

Report author	Robert Milford, Head of Audit Cotswolds, 01242 775174, Robert.milford@cheltenham.gov.uk
Appendices	none
Background information	none

Cheltenham Borough Council Audit Committee – 9 January 2013 Counter Fraud and Corruption Policy

Accountable member	Cabinet Member Corporate Services, Councillor Jon Walklett.
Accountable officer	Mark Sheldon, Director Resources
Ward(s) affected	None
Key Decision	No
Executive summary	<p>The councils Anti Fraud and Corruption Policy is due for a review. This policy needs to be updated to reflect the internal audit partnership arrangements with Audit Cotswold and the requirements of the Bribery Act.</p> <p>The policy was reviewed by Internal Audit and brought up to date, it has also been renamed as the Counter fraud and Corruption policy and guidance.</p>
Recommendations	<p>That Audit Committee</p> <ol style="list-style-type: none"> 1. Considers the Counter Fraud and Corruption policy and makes any further suggestions that it considers necessary to strengthen the council’s standards of propriety and accountability. 2. Authorise the Director of Resources to update the policy with any additional comments following the conclusion of the on-going consultation with the audit partnership. 3. Subject to recommendation 1 above, ask Cabinet to approve the policy
Financial implications	<p>The council has a duty to protect public funds.</p> <p>This policy is designed to strengthen the guardianship of the council assets, both property and financial, in order to meet with its obligations.</p> <p>Contact officer: Director Resources, Mark Sheldon</p> <p>Email mark.sheldon@cheltenham.gov.uk,</p> <p>Tel; 01242 264123</p>

Legal implications	<p>It is essential to have in place an updated Counter Fraud and Corruption policy as proposed, to ensure compliance with the new statutory requirements as set out in the report and the appendices.</p> <p>Contact officer: Solicitor, Lisa Jones</p> <p>Email: lisa.jones@teWKesbury.gov.uk,</p> <p>Tel: 01684 272015</p>
HR implications (including learning and organisational development)	<p>There are no HR implications arising as a result of this report.</p> <p>Contact officer: Sarah Flury, HR Business Partner</p> <p>Email: sarah.flury@chEltenham.gov.uk</p> <p>Tel: 01242 775215</p>
Key risks	<p>If the Council does not have effective counter fraud and corruption controls then it could put at risk its assets and reputation.</p>
Corporate and community plan Implications	<p>None</p>
Environmental and climate change implications	<p>None</p>

1. Background

- 1.1 The Councils constitution has a list of policies including the Anti Fraud and Corruption Policy which was approved in June 2007 and is now due for review.
- 1.2 There have been a number of changes to the way that the council counters fraud and corruption since this policy was approved including approval for its Internal Audit team to join the Audit Cotswold partnership increasing its capacity and resilience particularly in respect of investigation work.
- 1.3 The Government approved The Bribery Act (2010) which introduced a range of new legal responsibilities including a requirement on commercial organisations to prevent bribery. The council amended procurement arrangements to reflect these changes and issued additional guidance to staff. These changes were reported to Audit Committee on the 2nd June 2011.

2. Reasons for recommendations

- 2.1 The legislative and operational changes that have taken place since the Anti Fraud and Anti Corruption Policy were approved in June 2007 require the policy to be updated and renamed..
- 2.2 The constitution was revised and approved by Council in March 2012 and includes a Code of Conduct for Employees. This Code includes a wide range of guidance to promote professional behaviour and to protect employees and the council including advice on declarations for the Register of Interest and offers of gifts, hospitality and sponsorship.
- 2.3 The Code of Members Conduct provides guidance in line with our statutory duty on promoting and maintaining high standards of conduct was adopted by the Council on the 25th June 2012

with effect of the 1st July 2012. This Code includes advice on what is required for the Registration of Interests and the Declaration of Interests and Restrictions on participation. The obligations set out in this Code are in addition to those which apply to all Members by virtue of the procedural and other rules of the authority and any protocols and policies which may be adopted from time to time.

- 2.4 The Prevention of Corruption Acts was repealed by the Bribery Act 2010. Any commercial contract that we enter into reflects the requirements of this new Act and the Councils Contract rules.
- 2.5 This policy therefore needs to align itself with existing Codes of Conduct, policies and guidance on the prevention and detection of corruption, fraud and bribery to ensure that it provides clear and unambiguous guidance to employee's, Members and all those that it does business with.

3. Alternative options considered

- 3.1 None

4. Consultation and feedback

- 4.1 The Audit Committee chairman was consulted on the process for the approval of the policy and was sent a draft copy for comment. Internal Audit, HR and One Legal have also been consulted and have commented on its content.
- 4.2 There are on-going discussions with our partners in the audit partnership (Audit Cotswolds) to consider any if there are any further amendments that can be made to strengthen the policy further. When this consultation is complete the policy will be adopted by all the partner councils.
- 4.3 Audit Committee are asked to agree that any further amendments from this consultation are included within our policy by the Director Resources.

5. Performance management –monitoring and review

- 5.1 Any suspected incident will be considered for referral to the Police for investigation by the relevant Director in consultation with the Section 151 Officer, the Head of Internal Audit and where appropriate either HR or the Monitoring officer. The Chief Executive will be notified of any decision taken to refer any issue to the police.
- 5.2 Any proven incident of fraud, corruption or bribery will be considered by the Corporate Governance Group to consider if any further amendments need to be made to policy and guidance.
- 5.3 The Audit Committee will receive an annual Counter Fraud report from the Head of Internal Audit; the first of these will be June 2013.

Report author	<p>Contact officer: Bryan Parsons</p> <p>Email bryan.parsons@cheltenham.gov.uk,</p> <p>Telephone 01242 264189</p>
Appendices	<ul style="list-style-type: none"> 1. Risk Assessment 2. Draft Counter Fraud and Corruption Policy

Background information	1. None
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The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Council does not have effective counter fraud and corruption controls then it could put at risk its assets and reputation.	Director Resources	04/01/2013	4	2	8	Reduce	Agree an effective Counter Fraud and Corruption policy with guidance for employees and members	04/01/2013	Internal Audit (Cotswold Audit Partnership)	
<p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											

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INTRODUCTION

- 1.1 In administering its responsibilities; Cheltenham Borough Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Counter Fraud and Corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.
- 1.2 The Resources Director as the "Section 151 Officer" has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs and has developed financial codes of practice and accounting instructions. The Director of Resources exercises a quality control on financial administration through delegation to the Head of Finance (Go Shared Services).
- 1.3 The Monitoring Officer has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council's policies and procedures to demonstrate that the Council is acting in an open and transparent manner.
- 1.4 The Council will thoroughly investigate all suggestions of fraud, corruption or theft, both from within the Council and from external sources, which it recognises can:
 - Undermine the standards of public service that the Council is attempting to achieve.
 - Reduce the level of resources and services available for the residents of Cheltenham.
 - Result in consequences which reduce public confidence in the Council.
- 1.5 Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or theft against the Council.
- 1.6 The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partner organisations to observe these standards which are defined within the Code of Conduct for employees and Members Code of Conduct, underpinned by its values and help achieve the Council's over-arching priority for the continued delivery of outcomes and value for money for local tax-payers.

DEFINITIONS

- 2.1 **FRAUD:** Is defined by The Fraud Act 2006 as follows:

Counter fraud and corruption policy.

A person is guilty of fraud if he is in breach of any of the following:

Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position, in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term "fraud" is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

- 2.2 **CORRUPTION:** Is the deliberate use of one's position for direct or indirect personal gain. "Corruption" covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.
- 2.3 **THEFT:** Is the physical misappropriation of cash or other tangible assets. A person is guilty of "theft" if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.
- 2.4 **MONEY LAUNDERING:** Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its

Counter fraud and corruption policy.

origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council's Proceeds of Crime / Money Laundering Policy.

- 2.5 Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought from Internal Audit. The Council has a separate and more detailed Proceeds of Crime / Money Laundering Policy and a designated money laundering reporting officer who is the is the Section 151 Officer; Director of Resources and nominated to receive disclosures about money laundering activity
- 2.6 One Legal (the councils legal team) also have their own professional guidance in relation to money laundering which places a duty on solicitors to report any suspicions and these may override their legal professional privilege and confidentiality. All such suspicions must be reported to the Monitoring Officer and the Money Laundering Reporting Officer.
- 2.7 **BRIBERY:** The Bribery Act 2010 received Royal Assent on 8th April 2010. Previously, bribery has been viewed within the definition of corruption, as defined within the Council's Counter Fraud and Corruption Policy. The Bribery Act 2010 introduces four main offences, simplified as the following:
- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
 - Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
 - Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.
 - Failure of commercial organisations to prevent bribery: organisations, which include the Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

- 2.8 Prior to entering into any business arrangements, all Council officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption.

3. SCOPE

- 3.1 This document applies to:

Counter fraud and corruption policy.

- All employees (including casual workers and Agency Staff) and Councillors.
- Committee Members of Council funded voluntary organisations.
- Partner organisations. (where CBC have a financial or statutory responsibility)
- Council Suppliers, Contractors and Consultants.
- General Public.

4. AIMS AND OBJECTIVES

4.1 The aims and objectives of the Counter Fraud and Corruption Policy are to:

- Ensure that the Council is protected against fraud and loss.
- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Cheltenham residents and visitors.
- Create a 'Counter fraud' culture which highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers).

To provide a best practice 'counter fraud' service which:

- Proactively deters, prevents and detects fraud, corruption and theft.
- Investigates suspected or detected fraud, corruption and theft.
- Enables the Council to apply appropriate sanctions and recovery of losses.
- Provides recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

5. PRINCIPLES

5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this policy. The Council will ensure that the resources dedicated to "counter-fraud" activity are sufficient and all those involved are trained to deliver a professional "counter fraud" service to the highest standards.

5.2 All fraudulent activity is unacceptable, and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. The Council will ensure consistency, fairness and objectivity in all its "counter-fraud" work and that everyone is treated equally.

Counter fraud and corruption policy.

- 5.3 This policy encourages those detailed in section 3.1 to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Sections 8.3 and 8.4 detail the reporting arrangements in relation to incidents of fraud or irregularity.
- 5.4 The Council will work with its partners (such as the Police, other Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

6. RESPONSIBILITIES

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Resources Director (Section 151 Officer)	To ensure the Council has adopted an appropriate Counter fraud policy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to assist with 'counter fraud' work.
Borough Solicitor and Monitoring Officer	To advise Councillors and Officers on ethical issues, conduct and powers to ensure that the Council operates within the law and statutory Codes of Practice.
Audit Committee	<p>To receive formal assurance from Internal Audit at each meeting and an annual opinion report in June.</p> <p>A formal counter fraud report will be issued to the Audit Committee in June</p> <p>The Audit Committee also receive assurance:</p> <ul style="list-style-type: none"> - from external audit on the Council's Annual Accounts and Annual Governance Statement - on the effectiveness of the corporate governance framework - on the effectiveness of the corporate risk management processes

Counter fraud and corruption policy.

<p>Councillors</p>	<p>To comply with the Members Code of Conduct and related Council policies and procedures and to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.</p>
<p>External Audit</p>	<p>Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.</p>
<p>Internal Audit</p>	<p>Responsible for assisting the development and implementation the Counter Fraud and Corruption Policy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy and that action is identified to improve controls and reduce the risk of recurrence.</p> <p>Reporting to the chief executive and the Resources Director on the progress and results of investigations</p> <p>Reporting annually to Audit Committee on proven frauds</p>
<p>Executive Directors, Directors, and Service Managers</p>	<p>To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing internal controls.</p>
<p>Staff</p>	<p>To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, or through the Whistleblowing Policy Procedures.</p>

Counter fraud and corruption policy.

Public, Partners, Suppliers, Contractors and Consultants

To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

7. APPROACH TO COUNTERING FRAUD

- 7.1 Cheltenham Borough Council has a responsibility to reduce fraud and protect its resources by completing work in each of the following key areas:
- 7.2 **DETERRENCE:** The Council will promote and develop a strong “counter-fraud” culture, raise awareness and provide information on all aspects of its “counter-fraud” work. This includes advice on the intranet, a fraud e-learning tool, publicising the results of proactive work, investigating fraud referrals and seeking the recovery of any losses due to fraud.
- 7.3 **PREVENTION:** The Council will strengthen measures to prevent fraud. Internal Audit will work with managers and policy makers to ensure new and existing systems, procedures and policy initiatives consider any fraud risks. Audit activity will also consider fraud risks as part of each review.
- 7.4 **DETECTION:** Internal Audit maintains a record of all fraud referrals with the exception of benefit fraud; this is held with the Benefit Fraud Team. This record helps to establish those areas within the Council most vulnerable to the risk of fraud. This also enables a Council wide fraud profile to be created which then informs any detailed work in areas throughout the Council aimed at detecting existing and new types of fraudulent activity.

Internal Audit also leads in the National Fraud Initiative (NFI) run by the Audit Commission. An officer in the internal audit team is designated as the ‘Key Contact’ for this process. Furthermore, an annual survey is submitted to the Audit Commission on behalf of the authority by Internal Audit. Areas indicated in the surveys may receive proactive investigation where appropriate.

Internal controls are established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. The Council also relies on employees, Councillors and the public to be alert and to report suspicion of fraud and corruption.

Managers should pay particular attention to circumstances which may require additional and sensitive monitoring or supervision. Examples of Fraud Indicators are detailed in Appendix C.

- 7.5 **INVESTIGATION:** The Council will investigate all reported incidents of fraud or irregularity. Please see Appendix A for the Protocol for Investigating Irregularities.

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- 7.6 **SANCTIONS:** The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This will include legal action in addition to criminal and disciplinary action, where appropriate.
- 7.7 **REDRESS:** A crucial element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council's strategy and will be pursued, where appropriate.
- 7.8 In addition to the above, Internal Audit also prepares a risk based annual Audit Plan that details the key objectives and areas of work for the year. Within these work areas indicators for fraud are considered. Internal Audit will also respond to requests from management where there may be concerns over the effectiveness of internal controls. The work plan is agreed and monitored by the Audit Committee and Section 151 Officer.

8. REPORTING, ADVICE AND SUPPORT

- 8.1 The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Financial and Contract Procedure Rules and directorate procedures.
- 8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their line manager and if this is not appropriate then to the Service Manager or Director. The Council will provide all reasonable protection for those who raise genuine concerns in good faith.
- 8.3 The line manager, Service Manager or Director who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the Resources Director (Section 151 Officer) or one of the following people depending on the circumstances, to determine how the potential irregularity will be investigated:
- Borough Solicitor and Monitoring Officer
 - Relevant Director.
 - Internal Audit.
 - Head of HR GoSS /HR Operations Manager GoSS
- 8.4 Where appropriate, the Resources Director should inform the Chief Executive and Monitoring Officer where the irregularity is material and/or could affect the reputation of the Council. The Section 151 Officer will liaise with the Cabinet Member for Corporate Services, as appropriate. The Communications Team should also be informed if the matter is likely to be communicated externally.
- 8.5 The investigating officer will follow the Guidelines for Managers on Investigating Allegations as well as the Protocol for Investigating Irregularities Appendix A), which includes the need to:

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- Deal promptly with the matter.
- Record all evidence received.
- Ensure that evidence is sound and adequately supported.
- Ensure security of all evidence collected.
- Contact other agencies if necessary e.g. Police.
- Notify the Council’s insurers.
- Implement Council disciplinary procedures where appropriate.

8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

- Local Government Ombudsman
- External Audit
- the National Fraud Initiative and related Audit Networks
- Central Government Departments
- HM Revenue and Customs
- UK Border Agency
- Department for Work and Pensions
- Police.

8.7 Any concerns or suspicions reported will be treated with discretion and in confidence. Key contacts include:

Resources Director (Section 151 Officer)	Write to: Cheltenham Borough Council Municipal offices Promenade Cheltenham Glos. GL50 9SA.
Borough Solicitor and Monitoring Officer	
Relevant Director	
Internal Audit	
Audit Committee Chairman	
Standards Committee Chairman	

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8.8 Attached are the following Appendices:

Appendix A: The Protocol for Investigating Irregularities.

Appendix B: The Council's Fraud Response Plan.

Appendix C: Examples of Fraud Indicators.

9. FURTHER INFORMATION

9.1 Further information on Council policy can be found in the following documents:

The Constitution.

- Code of Conduct for Employees and the Members Code of Conduct. Which include detailed policy advice on;
 - Gifts, Hospitality and sponsorship.
 - Declaring and Registering Interests
- Whistle-blowing policy.
- Financial Regulations.
- Contract Procedure Rules
- Money Laundering Policy.
- Regulation of Investigatory Powers Act (RIPA).

10. POLICY REVIEW

10.1 The Audit Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

Responsible Officer: Director Resources

Date: January 2013

Review frequency every three years

APPENDIX A PROTOCOL FOR INVESTIGATING IRREGULARITIES

a) Fraud Referral / Allegation

The primary responsibility for the prevention and detection of fraud, corruption and theft rests with Directors and Service Managers. Internal controls have been established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. Employees, Councillors and other groups are encouraged to report suspected irregularities in accordance with section 5.3 of this policy and the Council's [Whistle-blowing policy](#).

When a referral or allegation is received it must be reported to the key contacts and officers detailed in section 8.3 above, as well as any other relevant contacts, to determine the course of action.

In some cases, an allegation may be of a routine or minor nature that can be dealt with by service management without the need for a formal investigation. If this is the outcome, a record of the decision and who made it must be kept to enable the course of action to be justified. Alternatively, if the matter is of a nature that requires immediate Police involvement, please refer to section f) below on reporting issues to the Police.

If it is agreed that an internal investigation is required, this protocol details the stages that should be followed. It is the Director and Service Managers' responsibility to initiate and manage the investigation in potential cases of fraud, corruption or theft following consultation with Internal Audit and HR.

All investigations should be reported to Internal Audit, who will monitor the investigation, ensuring action is initiated, effectively managed and it is brought to a proper conclusion.

b) The Investigation

The Director or Service Manager should appoint a senior manager, independent of the activity, to head the investigation. The investigation officer/team will have access to specialist professional advice and investigation skills from Internal Audit, the HR Business Partner and One Legal as required. The Investigating officer/team will also have open access to service management to ensure all appropriate enquiries can be undertaken. The Director should arrange for regular briefing meetings from the investigation officer/team.

The investigation officer/team will agree a plan for the investigation having regard to the initial evidence and/or allegation. The investigation plan should be kept under regular review. Investigation progress will be reported to the Director or Service Manager and other relevant officers on a regular basis, especially when any key decisions need to be taken.

c) Evidence

All evidence gathered will be regarded as strictly confidential and will be the property of the investigation officer/team. It will only be made more widely available on agreement with the necessary officers. The team will be responsible for gathering all evidence, whether it is verbal, written or electronic, which may include the need to interview employees.

If it is necessary to interview employees, the Director or Service Manager should be informed. HR should also be contacted to ensure the interview is arranged, conducted and

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managed correctly to ensure the employee is supported and the investigation is not compromised. Interviews with employees must be conducted in accordance with the relevant Council standards and procedures, with allowances for proper representation.

When obtaining written evidence, the source copy of any documentation should be obtained. Electronic evidence will be stored on a PC, laptop, blackberry, mobile phone, etc. When obtaining electronic evidence, the main issue is how to capture the evidence before it is changed. To do this, the equipment should be secured at the earliest opportunity to ensure evidence is not altered. This is a specialist activity and should be undertaken under the supervision of an IT specialist on which ICT Infrastructure Manager can advise.

Some investigations may require either covert surveillance or a covert operation to obtain information. If covert surveillance is considered necessary consideration must be given at the outset as to whether it falls under the Regulation of Investigatory Powers Act 2000 (RIPA)

If it is decided that the proposed action is outside of RIPA a record of how that decision was arrived at must be made and the action duly authorised under the Council's Non RIPA surveillance application form and procedure.

If it is decided that the proposed action is covered by RIPA, formal authorisation will need to be obtained under the RIPA. Authorising any action under RIPA regulation needs to be obtained from the RIPA trained and designated Authorising Officer and Authorised by a Magistrate.

The conduct of interviews and gathering of evidence which may subsequently be used as criminal evidence is governed by specific rules and acts. In this respect, the following statutes are relevant:

- Police and Criminal Evidence Act 1984 (PACE).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Human Rights Act 1998.
- Data Protection Act 1998.

Specialists trained in investigation and interviewing could be made available to the investigation team if this is required. The need for specialist advice would be a part of the discussion when an investigation is initiated.

The investigation officer/team should ensure that a fully referenced investigation file is maintained, which includes all documentation, records and notes collated during the investigation.

d) Reporting

Once the investigation work has been concluded, the investigating officer/team will need to prepare a written report detailing the initial referral or allegation, the work completed (including documents obtained and interviews conducted) and an opinion or conclusion on the outcome of the investigation. Depending on the severity of the investigation outcome, the report may lead to a disciplinary hearing or Police referral.

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The report should also detail any breakdown in management, operational or financial controls to the Director or Service Manager, who will have to agree the necessary actions to address the issues.

The investigation officer/team, in consultation with the Director or Service Manager, should make arrangements for the Director of Resources, Service Director, Head of Audit and Head of Human Resources to be informed of the investigation outcome. Other officers should be notified on a strictly confidential, need to know basis.

e) Disciplinary and Criminal Proceedings

Directors and Service Managers will be expected to take action in accordance with the Council's [Disciplinary Policy and Procedure](#).

f) Police Involvement

Reporting incidents to the Police must be considered on an individual basis. If criminal activity is suspected, the matter should be promptly reported to the Police by the Director or Service Manager. Approval to report the matter to the Police must be obtained from either the Resources Director, the business units Director, or Monitoring Officer.

Advice should be sought from Internal Audit on how the matter should be reported and who would be best placed to meet with the Police and discuss the details of the investigation. In the unlikely event that none of the above officers are immediately available, the Director must judge how quickly the matter should be reported to ensure any Police investigation is not affected.

Continuous liaison with the Police is vital as there may be parallel enquiries undertaken by the Police in addition to those in-house. Also, the Police have specialist skills to interview under caution that will be needed if evidence is to be used in court. Normally, any internal disciplinary process can take place at the same time as the Police investigation. However, this should be agreed in advance by both the Police and the Council to ensure both investigations are not compromised.

g) Investigation Costs

The Internal Audit plan contains a small contingency of time for Counter fraud work. The Head of Audit, in conjunction with the Resources Director will determine whether the contingency should be used for undertaking work on a specific investigation. Where resources are not directly available through Internal Audit, any contribution may disrupt planned work so there may be an additional direct charge to the service concerned. If external specialist advice is required, this will only be after agreement both in terms of scope and cost, with the Director or Service Manager. Charges for Legal Services advice will be in accordance with the normal service agreements.

h) Post Investigation

The Council wishes to see that following an investigation, action is taken to minimise future occurrence. This may involve improvements in control, changes to systems and procedures or employee training.

Any publicity arising from an investigation will be co-ordinated by the Council's Communication Team. It is the responsibility of the Director or Service Manager to ensure that the Communications Team is informed of developments following completion of an investigation.

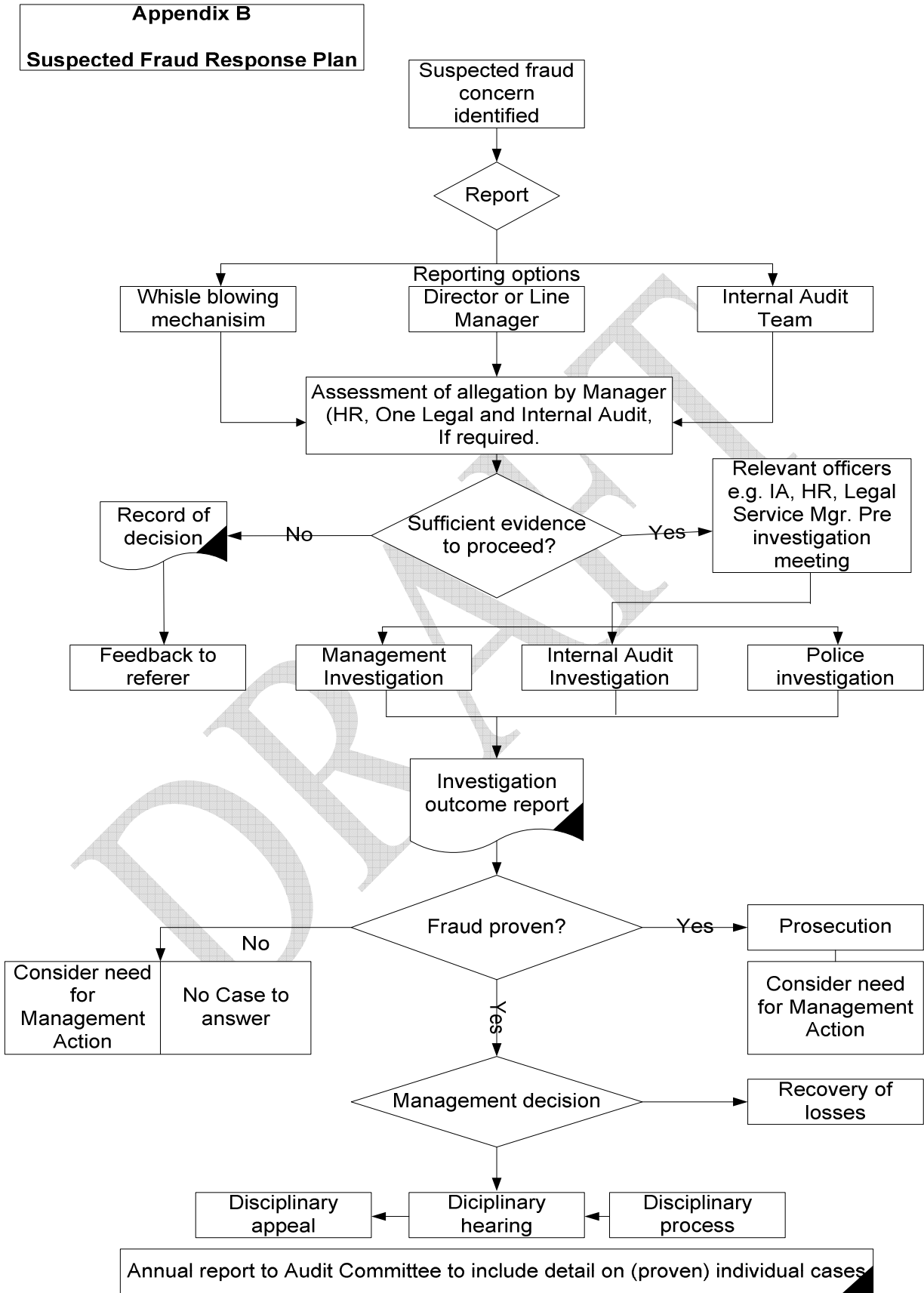
I) Training

The Council acknowledges that the continuing success of its Counter Fraud and Corruption Policy and its general credibility will depend largely on the effectiveness of training and responsiveness of employees and Councillors throughout the organisation. To facilitate this, the Council has introduced a Fraud Awareness e-learning package that has been rolled out across the organisation and is included as part of officer induction arrangements. The subject is also included as part of Councillor training.

Investigation of fraud and corruption may require specialist training, not only for the Council's Internal Audit Service, but also employees within other Directorates.

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APPENDIX C

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. The following are types of risk factors that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

Unusual employee behaviour: Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.

Financial irregularities: Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.

Bad procurement practice: Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.

Disorganisation: Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.

Inadequate supervision: Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.

Lax corporate culture: Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.

Poor work practices: Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopies or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.

Item	Officer
9 January 2013	
Chairs briefing: 21 November 2012	Complete reports by: 21 December 2012 (earlier to avoid Xmas)
Annual audit fee letter for 12-13 and Annual audit plan for 13-14 (including introduction)	Grant Thornton
Internal audit monitoring report	Rob Milford
Audit Charter	Rob Milford
GO update – governance and internal audit role (update only)	Rob Milford
Counter Fraud, Corruption and Bribery Policy and Process	Bryan Parsons
20 March 2013	
Chairs briefing: 07 February 2013	Complete reports by: 11 March 2013
Certification of grants and returns for 2012-13	Grant Thornton
Annual internal audit plan for the 2013-14	Rob Milford
Internal audit monitoring report	Rob Milford
Annual review of risk management policy	Bryan Parsons
Annual assurance review	Bryan Parsons
Adoption of new Audit Standards	Rob Milford
Annual governance statement – significant issues action plan (from January)	Bryan Parsons
The Regulation of Investigatory Powers and The Protection of Freedoms Bill (from January)	Bryan Parsons
19 June 2013	
Chairs briefing: 09 May 2013	Complete reports by: 10 June 2013
Interim audit report for 2013-14	Grant Thornton
Internal audit opinion for 2012-13	Rob Milford
Internal audit monitoring report	Rob Milford
Annual governance statement	Bryan Parsons

Audit Committee 2012-2013 work plan

Item	Officer
Effectiveness review – internal auditing standards	Rob Milford
Items to be added at a future date (future dates will not be agreed until March 2013)	
Corporate Strategy 2012/13 – consideration of governance issue	Rob Milford
Joint training session with Cotswold, West Oxford and F.O.D councillors – governance of shared services (tbc)	Rob Milford / Mark Sheldon
Policy review timetable (briefing note) - tbc	Bryan Parsons
Requirements of the Localism Act (re: local audit)	Rob Milford
Annual Items (standing items to be added to the work plan each year)	
January	Grant Thornton
Annual audit fee letter (for the previous year)	Grant Thornton
Annual audit plan (for the upcoming year)	Grant Thornton
Internal audit monitoring report	Rob Milford
Annual governance statement – significant issues action plan	Bryan Parsons
March	Grant Thornton
Certification of grants and returns (for the previous year)	Grant Thornton
Annual internal audit plan (for the upcoming year)	Rob Milford
Internal audit monitoring report	Rob Milford
Annual review of risk management policy	Bryan Parsons
June	Grant Thornton
Interim audit report (for current year)	Grant Thornton
Internal audit opinion (for the previous year)	Rob Milford
Internal audit monitoring report	Rob Milford
Annual governance statement	Bryan Parsons
September	Grant Thornton
Audit highlights memorandum (ISA 260)	Grant Thornton
Internal audit monitoring report	Rob Milford
Review of annual statement of accounts	CBC Finance Team