



CHEL TENHAM

BOROUGH COUNCIL

Notice of a meeting of Audit Committee

**Wednesday, 19 June 2013
6.00 pm
Pittville Room, Municipal Offices**

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

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

Agenda

1.	APOLOGIES	
2.	DECLARATIONS OF INTEREST	
3.	ELECT A VICE-CHAIR OF THE COMMITTEE To elect a new vice-chair as Councillor Wall has stepped down from the Committee.	
4.	MINUTES OF THE LAST MEETING 20 March 2013	(Pages 1 - 8)
5.	PUBLIC QUESTIONS These must be received no later than 10am on the fifth working day before the date of the meeting.	
6.	AUDIT UPDATE REPORT Grant Thornton - for information	(Pages 9 - 16)
7.	AUDIT FEE LETTER 2013-14 Grant Thornton – for information	(Pages 17 - 20)
8.	AUDITING STANDARDS - COMMUNICATION WITH THE AUDITING COMMITTEE Grant Thornton – for decision	(Pages 21 - 38)
9.	INTERNAL AUDIT MONITORING REPORT Head of Audit Cotswolds – for information.	(Pages 39 - 50)
10.	INTERNAL AUDIT OPINION 2012-13 Head of Audit Cotswolds – for decision.	(Pages 51 - 64)

11.		ANNUAL COUNTER FRAUD REPORT Head of Audit Cotswolds – for decision.	(Pages 65 - 74)
12.		EFFECTIVENESS REVIEW - INTERNAL AUDITING STANDARDS Head of Audit Cotswolds – for decision	(Pages 75 - 90)
13.		WORK PROGRAMME	(Pages 91 - 94)
14.		ANNUAL GOVERNANCE STATEMENT Corporate governance, risk and compliance officer – for decision	(Pages 95 - 114)
15.		APPROVAL OF THE CODE OF CORPORATE GOVERNANCE Corporate governance, risk and compliance officer – for decision	(Pages 115 - 132)
16.		ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION	
17.		DATE OF NEXT MEETING 25 September 2013	
18.		LOCAL GOVERNMENT ACT 1972 -EXEMPT INFORMATION The Council is recommended to approve the following resolution:- “That in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3, Part (1) Schedule (12A) Local Government Act 1972, namely: Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)	
19.		EXEMPT MINUTES 20 March 2013	(Pages 133 - 134)

Contact Officer: Sam Howe, Democracy Assistant, 01242 775153
Email: democratic.services@cheltenham.gov.uk

Audit Committee

Wednesday, 20th March, 2013

6.00 - 8.00 pm

Attendees	
Councillors:	Paul Massey (Chair), Rowena Hay, Tim Harman, Pat Thornton and Andrew Chard (Reserve)
Also in attendance:	Peter Barber (Grant Thornton), Rob Milford (Head of Audit Cotswolds), Bryan Parsons (Corporate governance, risk and compliance officer), Mark Sheldon (Director of Resources), Peter Smith (Grant Thornton), Matthew Thomas (Forest of Dean) and Councillor Jon Walklett (Cabinet Member Corporate Services)

Minutes

1. APOLOGIES

Councillors Wall and Colin Hay 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.

Upon a vote it was unanimously

RESOLVED that the minutes of the meeting held on the 9 January 2013 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

No public questions had been received.

ITEMS REQUIRING A DECISION

5. ANNUAL INTERNAL AUDIT PLAN 2013-14

The Head of Audit Cotswolds introduced the report which he explained was presented slightly differently to how it had in the past in order to meet the new Internal Audit Standards and therefore contained more detail. He reiterated the need for Internal Audit to follow a more flexible and risk based plan given the environment in which the council now operated. The Audit Universe 2013-14 (Appendix 2 of the report) set out a complete list of potential work for the service, in order of priority. This detailed the minimum skill rank of the auditor to undertake the work and the days required, which he highlighted were beyond the days available. Appendix 1, the Audit Assurance Plan 2013-14 listed the risk based assurance work, from the Audit Universe. He noted that this did not

include consultative work and quarters 2 and 3 would be continually reviewed to ensure that the work identified was still relevant.

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

- Admittedly there was a lot for Internal Audit to look at, but the Audit Assurance Plan 2013-14 had been compiled using a risk based approach and where work took less days than those identified within the Audit Universe, these days would be used towards lower risk issues.
- ICT issues had always featured in the plan for 2013-14 in addition to which there were cyclical items which whilst not on the list, may feed in to work on other issues. This was not say that the plan was infallible, hence the regular engagement with Exec Board, the Senior Leadership Team, etc.
- Given the governance framework it was considered appropriate for GO Shared Services to have a risk plan of its own. However, a review was scheduled for June 2013 and this would be reported via the Client Monitoring Group and areas of limited assurance which affected Cheltenham could be reported back to this committee.

Upon a vote it was unanimously

RESOLVED that the Internal Audit Plan for 2013/14 be approved.

6. INTERNAL AUDIT MONITORING REPORT

The Head of Audit Cotswolds introduced the Internal Audit Monitoring report which was a standing item on the agenda and provided an update on the work undertaken by Internal Audit since the last meeting. He highlighted the Performance Management and Strategic Commissioning review which had identified a series of issues. In response an audit facilitated meeting with the relevant Officers had been held and an action plan developed, a copy of which would be considered by this committee in June. Due diligence work in preparation for the ICT shared service with Forest of Dean had entered its second phase and was almost complete, with work ongoing with colleagues in FOD to provide assurances. The GO report was currently with the Client Officer Group for consideration and once a formal response had been received, this would be fed back to the committee. In addition to this, consultancy work had been undertaken in relation to Counter Fraud.

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

- An assurance opinion for GO could only be provided once the report had been validated by the Client Officer Group, however, the health check and due diligence reviews had been satisfactory.
- Internal Audit were not included in the sign-off of draft O&S reports but were made aware of publication and were then reviewed. O&S reports would be considered as part of relevant reviews.

Councillor Chard was concerned that audit related issues were being identified as part of scrutiny reviews and as such internal audit should be involved in the

process at a much earlier stage than simply reading the report once it has been published. He suggested that they should certainly consider the recent Ubico task group report.

Upon a vote it was unanimously

RESOLVED that having considered the report, the Head of Audit Cotswolds note the comments of the committee.

7. ANNUAL RISK MANAGEMENT REPORT

The Corporate governance, risk and compliance officer introduced the report. The committee had approved the current policy in March 2012 and had requested an annual update report going forward, of which this was the first. The councils new on-line risk management module had been in operation since June 2012 and to date all 22 corporate and a large number of divisional risks had been recorded on the module, with the remaining divisional risks to be completed by the end of April. It was the responsibility of the relevant risk manager to update the information on a monthly basis, even to comment that there was no update if necessary. There had been little change to the policy, namely paragraph 2.5 in relation to risks that are identified by commissioned or shared service providers. These were separate entities but it was accepted that from time to time some risks would impact the council. It was the responsibility of those organisations to highlight such risks to the relevant Client Officer and then decide the best way of managing the risk in discussion with SLT.

The Corporate governance, risk and compliance officer gave the following responses to member questions;

- Some risks relating to commissioned or shared services would be very public and therefore quickly identifiable and some might come to light through management meetings between Officers and Members. There was a process in place by which issues could be referred to SLT for consideration for addition to the corporate risk register.
- Generally once a risk was added to the corporate risk register SLT would see it through until it was closed rather than managing the risk down to divisional level. Some risks were transferred to the commissioned or shared service risk registers and the majority of project risks were not included but would be added at stages when corporate involvement was required.
- Risks with a score lower than 16 would be added to the risk register if SLT felt it was significant enough.
- The dashboard was being developed and could include historical information for risks.

Upon a vote it was unanimously

RESOLVED that;

- 1. The risk management work undertaken during 2012/13 and for the 2013/14 planned developments be endorsed.**

2. **The amendment to the Risk Management Policy be approved xxx and to consider if there is a need for any further improvements from April 2013.**

8. **ANNUAL GOVERNANCE STATEMENT 2011/12 - SIGNIFICANT ISSUES ACTION PLAN**

The Corporate governance, risk and compliance officer introduced the report. He explained that the Annual Governance Statement 2011-12 had been approved by the committee in June 2012, who had recommended to Council that it be adopted as part of the statement of accounts. The AGS contained a significant issues action plan and this report detailed progress on these issues. At the time of writing the report all but two of the issues identified on the action plan had been addressed, one of which had since been dealt with by Cabinet. The only outstanding issue was ICT business continuity testing and there were a number of reasons as to why this issue remained under review and these were set out in full at item 2.3 of the report.

The following responses were given to member questions;

- The action plan was a living document and as such some of the commentary was now out of date (e.g. action 4 of the Refuse & Recycling Stock stated that the Managing Director of Ubico had delayed the check but this had since been completed).
- The actions identified for the Business Continuity Testing had been identified some 12 months ago at a time when the risk of power outage was high level likelihood and impact. At the time, the likelihood of a virus attack was very low given that there had not been a successful attack for some ten years. Clearly, there had been a subsequent successful attack but the plan had been prepared 12 months ago and needed to be read with hindsight. From a process point of view the action plan from 12 months ago was correct, even if subsequent events demonstrated that more could have been done.
- An update Annual Governance Statement would be produced in June, which would include actions which Officers would work on over the course of a year and another update report would be considered by this committee in March 2014. Regular Internal Audit updates would be provided by the Head of Audit Cotswolds.
- In relation to the Payroll issue, at the time of the restructure of GO Shared Services, the issue of payroll resilience was acknowledged and an additional half post was created. Though it was still early days this service was running fairly smoothly and had added resilience.

Upon a vote it was (unanimously)

RESOLVED that the progress that has been made against the actions and deadlines set, the issues that remain outstanding and the mitigating action being taken be noted.

9. **REGULATION OF INVESTIGATORY POWERS (RIPA) REVISED POLICY GUIDELINES**

The Corporate governance, risk and compliance officer explained that the policy requires for an update to be provided in the course of a year, though as shown

in the report, these powers had not been enforced for some four years, having used other means by which to deal with issues. In light of legislative changes to the RIPA process, the policy had been amended to summarise the new, more stringent, duties and responsibilities the legislation placed on local authorities. The changes included the need to for a Magistrate to approve an application before any action is taken. Members were alerted to an error at 1.9 of the report whereby the Borough Solicitor and Monitoring Officer had been named as the designated Senior Responsible Officer when it should in fact have stated the nominated Executive Director. If approved by Cabinet on the 16 April, the policy would be highlighted to all staff via the intranet and the Corporate governance, risk and compliance officer, acting as RIPA Co-ordinator would offer an initial challenge to any officer wanting to use these powers as they should only ever be viewed as a last resort.

The Corporate governance, risk and compliance officer gave the following responses to member questions;

- Relevant staff would require adequate training. A session had been held some six weeks ago and the invitation had been extended to GO Partners and staff who could be involved in surveillance as it was important that people understood their roles and responsibilities. Judge Jones had looked at the councils processes two years ago and could well return to assess whether he considered the processes to be adequate. If the powers were ever used a report would be bought before this committee.
- Most magistrates would follow a set of guidelines in determining what length of sentence to administer and therefore key wording within the policy was 'maximum expected sentence'. Legal would contact the Magistrates Court for advice on current sentencing.
- It was not possible to provide a figure for the number of cases of suspected fraud in a year but there were high risk areas (i.e. Benefits) where RIPA had been used in the past. The council had however, developed alternative ways of dealing with such cases and large scale fraud of this kind was often led by the Department for Work and Pensions.
- Clerks at Parish Councils did not receive training on RIPA as surveillance was not a power open to Parish Councils. The Corporate governance, risk and compliance officer could provide a short overview to Parish Councils on this matter.
- Police would be involved at an early stage and the Police were also required to comply with RIPA in order to undertake surveillance. Many of the alternative routes used by the council would involve the Police at an early stage.
- A large amount of the content of the policy was drawn from the Home Office but the Corporate governance, risk and compliance officer could look at how the policy could include more reference to the Police. He would need to discuss this with Legal.
- Relationships with the DWP and Police tended to fit with the more general fraud policies of the council, rather than RIPA. This was just one policy in a catalogue of policies.

- The Corporate governance, risk and compliance officer would discuss with legal how to incorporate a reference to how the lead agency/responsible authority is identified.

Members were comfortable that in relation to Licensing offences (under-age sale of alcohol or tobacco) that the council should be the lead authority/responsible authority but felt that in relation to other offences, the Police should assume this role. Members were eager that their comments on this issue be highlighted in the Cabinet report so that Cabinet were aware of the comments made, prior to approving the policy.

RESOLVED that:

- 1. The changes to the RIPA process made by the Protection of Freedoms Act 2012 be noted;**
- 2. The revised RIPA guidelines be agreed;**
- 3. The designation of the nominated Executive Director as the Council's Senior Responsible Officer for the purposes of RIPA be agreed; and**
- 4. Cabinet be recommended to approve the Policy, caveat consideration of the consultation of the Police and a lead agency test.**

ITEMS FOR DISCUSSION

10. CERTIFICATION OF GRANTS AND RETURNS 2011-12

The Corporate governance, risk and compliance officer introduced the certification of grants and returns 2011-12 which had been produced by KPMG. KPMG had been invited to attend if they wished and in their absence Grant Thornton were happy to answer any questions.

The Chairman noted the one qualified certificate but given the explanatory text he had no further comment.

11. KPMG ANNUAL AUDIT LETTER 2011-12

The Director of Resources introduced the annual audit fee letter 2011-12 on behalf of KPMG. He felt this was a positive report with KPMG having issued an unqualified VFM conclusion in September 2012. In addition to their reference to the savings from the GO Project he was pleased to report that the new structure was now in place and it had been possible to include the forecast savings in the 2013-14 budget, which he saw as an indication that further savings could be secured long term. He felt that the comments regarding a decline in quality of financial statements was inevitable given the scale of changes that had taken place with the transition to the GO Project and he had every confidence that quality would improve in the coming year given the positive direction of travel thus far.

The Chairman suggested that Grant Thornton, as new auditors, would be unable to provide an opinion on whether the quality had been restored to that of

previous years. In response to this Paul Benfield of Grant Thornton referred members to the £8500 additional fees from KPMG and suggested that were Grant Thornton able to provide an unqualified conclusion without additional fees having been incurred, that this could be an indication of the quality of the financial statements.

The Director of Resources noted that a number of key personnel were still in place, in addition to which there were personnel at other authorities and this gave him every confidence going forward.

12. AUDIT PLAN

Peter Barber of Grant Thornton introduced the audit plan which set out the need for Grant Thornton to fully understand the business (the council) and any key challenges and the approach that would be adopted, which was summarised in the form of a diagram. The plan also included specific detail of significant risks that has been identified and summarised the results of the interim audit work undertaken.

Peter Barber and Peter Smith gave the following responses to member questions;

- Journals were inherently risky by their very nature. There would be a focus on any high level journals and those that posed a greater risk given the day, time or by whom the journal was created.
- Given the new system (Agresso) and the changes to cost codes there was a greater risk for mis-categorisation so Grant Thornton would undertake an analytical review by comparing this year against last year and seeking explanation for any variations.

13. AUDIT UPDATE REPORT

Peter Smith of Grant Thornton introduced the audit update report which reported on progress, highlighted emerging national issues and developments and suggested documents which may be of interest to members.

Peter Barber explained that this copy of the update report contained more information than it ordinarily would as one had not been produced for the previous meeting. He was happy to include as little or as much information as members would find helpful and noted that the reference to 'challenging questions' had been included in error as issues would be discussed with the Director of Resources and Chief Executive as part of ongoing dialogue.

14. WORK PROGRAMME

The work programme had been circulated with the agenda.

Councillor Hay suggested that the Leisure & Culture trust governance item scheduled on the work plan for June would need to be deferred as it had been for Cabinet.

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

There were no urgent items for discussion.

16. DATE OF NEXT MEETING

The next meeting was scheduled for 19 June 2013.

17. LOCAL GOVERNMENT ACT 1972 -EXEMPT INFORMATION

Upon a vote it was unanimously

RESOLVED that in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)

18. EXEMPT REPORT

Members considered the exempt report.

Paul Massey
Chairman



Audit Committee Update for Cheltenham Borough Council

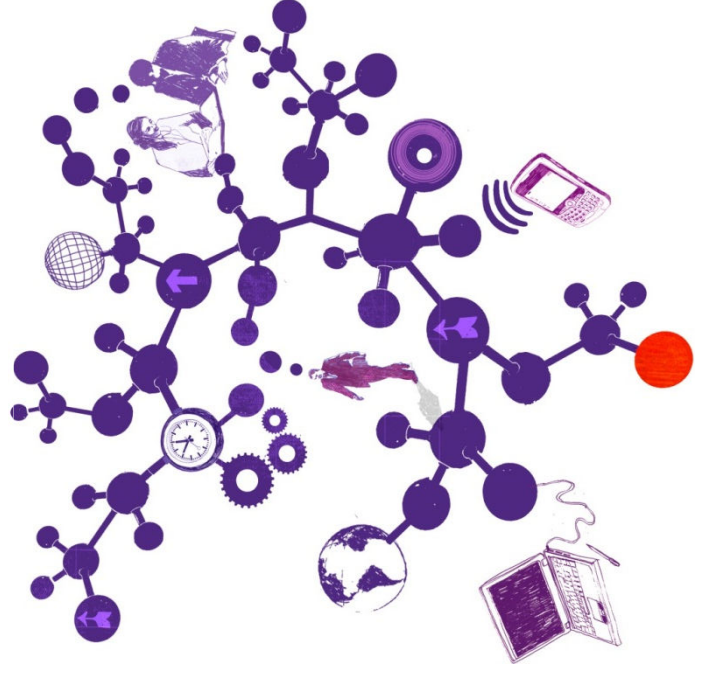
Year ended 31 March 2013

3 June 2013

Peter Barber
Engagement Lead
T +44 (0)1173 057 897
E peter.a.barber@uk.gt.com

Peter Smith
Audit Manager
T +44 (0)1173 057 832
E peter.w.smith@uk.gt.com

Paul Benfield
In Charge
T 0117 305 7894
E paul.m.benfield@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
Introduction	4
Progress at 4 March 2013	5

Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Borough Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- 'Local Government Governance Review 2012',
- 'The developing internal audit agenda',
- 'Preparing for the future',
- 'Surviving the storm: how resilient are local authorities?',
- 'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Peter Barber Engagement Lead T +44 (0)1173 057 897 M +44 (0) 7880 456122 peter.a.barber@uk.gt.com

Peter Smith Audit Manager T +44 (0)1173 057 832 M +44 (0) 7880 456140 peter.w.smith@uk.gt.com

Progress at 4 March 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Accounts Audit Plan We will issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	12 March 2013	Yes	This was taken to the Audit Committee on 20 March 2013
<p>Interim accounts audit Our interim fieldwork visit will include:</p> <ul style="list-style-type: none"> • a review of the Council's control environment; • an update of our understanding of the key financial systems; • a review of Internal Audit reports on core financial systems; • early work on any emerging accounting issues; • early substantive testing; and • consideration of your Value for Money arrangements. 	26 February 2013	Yes	We completed the initial risk assessments for the opinion and Value for Money conclusion and our on site interim visit. At this stage no issues have arisen which require reporting to you.
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council's accounts 	August 2013	No	We will commence our on-site post-statements work on the 24 June 2013.

Progress at 4 March 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2012/13 VFM conclusion comprises:</p> <ul style="list-style-type: none"> • a initial risk assessment; • a detailed review of arrangements against the criteria; • bringing forward knowledge form previous auditors; • reviewing key documents; and • discussion with officers. 	<p>August 2013</p>	<p>No</p>	<p>Our work will be focussed on the two criteria specified by the Audit Commission i.e.</p> <ul style="list-style-type: none"> -The organisation has proper arrangements in place for securing financial resilience; and -The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. <p>We will provide a report setting out the findings from our work on the Financial Resilience criteria. A brief discussion about savings was held with the Director of Resources</p>
<p>Other areas of work Certification and Claims including Housing Benefits</p>	<p>September 2013</p>	<p>No</p>	<p>We expect to carry out some work on the Housing Benefit claim in June 2013 and complete this work in September 2013.</p>



© 2013 Grant Thornton UK LLP. All rights reserved.
'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.
Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

This page is intentionally left blank
Page 16

Andrew North
Chief Executive
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 PSA

Grant Thornton UK LLP
The Canterbury Business Centre
18 Ashchurch Road
Tewkesbury GL20 8BT
T +44 (0)117 305 7600
www.grant-thornton.co.uk

16 April 2013

Dear Andrew

Planned audit fee for 2013/14

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. 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.”

The Council's scale fee for 2013/14 has been set by the Audit Commission at £64,974 which is unchanged from 2012/13.

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/audit-regime/audit-fees/201314-fees-work-programme.

The audit planning process for 2013/14, 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

The scale fee 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.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £13,300.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2013	16,243.50
December 2013	16,243.50
March 2014	16,243.50
June 2014	16,243.50
Audit Total	64,974
Grant Certification	
June 2014	13,300
Total	78,274

Outline audit timetable

We will undertake our audit planning and interim audit procedures in the period October 2013 to March 2014. Upon completion of this phase of our work we will issue a 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 2014 and work on the whole of government accounts return in September 2014.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	October 2013 to March 2014	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 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2013/14 are:

	Name	Phone Number	E-mail
Engagement Lead	Peter Barber	0117 305 7784 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

A handwritten signature in black ink, appearing to read 'Peter Barber', with a stylized flourish at the end.

Peter Barber
For Grant Thornton UK LLP

Auditing Standards – Communication with the Audit Committee

Cheltenham Borough Council
Audit year 31 March 2013

Last updated 7 June 2013

Contents

Introduction	1
Fraud Risk Assessment	2
Law and Regulation	6
Going concern	8
Related Parties	10
Accounting Estimates	12
Appendices	
Appendix 1 Accounting Estimates	13

Introduction

The purpose of this report is to ensure there is effective two-way communication between the Council's Audit Committee, who are 'those charged with governance' and the external auditor.

As your external auditors we have a responsibility under professional auditing standards to ensure there is effective communication with the Audit Committee. This means developing a good working relationship with Committee members, while maintaining our independence and objectivity. If this relationship works well it helps us obtain information relevant to our audit and helps Audit Committee members to fulfil their financial reporting responsibilities. The overall outcome is to reduce the risk of material misstatement.

In planning and performing our audit of the financial statements we need to understand how the Audit Committee, supported by the Council's management, meets its responsibilities in the following areas.

- Fraud
- Law and regulation
- Going Concern
- Related parties
- Accounting for estimates

This report summarises the Audit Committee, management's and the external auditor's responsibilities in each of these areas, as explained in the International Standards on Auditing (UK and Ireland) (ISAs). Our primary responsibility is to consider the risk of material misstatement.

Each section of the report includes a series of questions that management have responded to.

We would like to ask the Audit Committee to consider these responses and confirm that it is satisfied with the arrangements in place.

Fraud Risk Assessment

The ISAs define fraud as:

"An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage."

[ISA (UK&I) 240, paragraph 11]

The primary responsibility to prevent and detect fraud is with the Audit Committee and the Council's management. To do this:

- officers need to ensure there is a strong emphasis on fraud prevention and deterrence, with a commitment to honest and ethical behaviour; and
- the Audit Committee oversight needs to include the consideration of the potential for the override of controls and inappropriate influence over the financial reporting process.

As your auditors our overall responsibility is for obtaining reasonable assurance that the Council's financial statements are free from material misstatement due to either fraud or error. We are required to maintain professional scepticism throughout the audit, which means considering the potential for the intentional manipulation of the financial statements.

We are also required to carry out a fraud risk assessment to inform our audit approach. This includes considering the following:

- how management assesses the risk of material misstatement in the financial statements due to fraud
- officers' response to assessed fraud risk, including any identified specific risks
- investigations into data matches identified through the National Fraud Initiative and subsequent outcomes
- how officers communicate the processes for assessing and responding to fraud risk to the Audit Committee
- how officers communicate its views on ethical behaviour to the Audit Committee
- how the Audit Committee exercises oversight of officers' fraud risk assessment and response processes and the internal controls to mitigate these risks
- what knowledge the Audit Committee has of actual, alleged or suspected fraud.

Table 1 below sets out how officers have responded to our fraud risk assessment.

.

Table 1: Fraud Risk Assessment

Question	Management response
<p>1. What is management’s assessment of the risk of material misstatement in the financial statements due to fraud?</p> <p>Is this consistent with the feedback from your risk management processes?</p>	<p>The Head of Internal Audit considers that the risk of “customer fraud” is increasing due to ongoing economic pressures, but that the likelihood is still low and the impact should not increase the material misstatement in the financial statements.</p>
<p>2. Are you aware of any instances of fraud, either within the Council as a whole or within specific departments since 1 April 2012?</p>	<p>There have been no frauds reported to Audit Committee from the Head of Internal Audit for 2012/13. However, there have been “frauds” investigated by the Revenues & Benefits Fraud Team that has resulted in prosecutions or penalties etc.</p> <p>As from June 2013 Internal Audit will be producing an annual Fraud Report for Audit Committee</p>
<p>3. Do you suspect fraud may be occurring, either within the Council or within specific departments?</p> <ul style="list-style-type: none"> - Have you identified any specific fraud risks? - Do you have any concerns there are areas that are at risk of fraud? - Are there particular locations within the Council where fraud is more likely to occur? 	<p>There is no specific suspicion that fraud is occurring within any council service but Internal Audit have identified areas that are at risk within its Audit Plan and target resources accordingly.</p> <p>As indicated in the response to question 1 there is an increased risk of “fraud” generally and as such Internal Audit has been working with the Benefit Fraud team to establish a Counter Fraud Unit with the specific purpose of pro-actively reducing this risk in 2013/14.</p>
<p>4. Are you satisfied that the overall control environment, including:</p> <ul style="list-style-type: none"> - the process for reviewing the system of internal control; - internal controls, including segregation of duties; exist and work effectively? - If not where are the risk areas? - What other controls are in place to help prevent, deter or detect fraud? 	<p>The Councils Annual Governance Statement is based upon an annual review of its internal controls and the work of internal audit.</p> <p>The Corporate governance group have considered the governance arrangements in place for each of the councils service areas and One legal provides advice to officers on the separation of duties in respect of decision making.</p> <p>The governance structures within each of the shared services have been</p>

Question	Management response
	<p>designed to ensure that decision making is transparent and based upon sound audit principles.</p> <p>Audit Cotswolds Head of Internal Audit provides the Audit Committee with monitoring reports which provide a level of assurance for the Council and for partners within shared services.</p>
<p>5. How do you communicate to employees about your views on business practices and ethical behaviour?</p> <ul style="list-style-type: none"> - How do you encourage staff to report their concerns about fraud? - What concerns are staff expected to report about fraud? 	<p>SLT receive a reports on the level of compliance on declarations of interest and for returns on Gifts, Hospitality and Sponsorship, areas of weakness are identified and raised with specific Directors and Service managers.</p> <p>Intranet articles highlight the need for declarations of interest to be made and provide advice in respect of offers of Gifts, hospitality and sponsorship.</p> <p>The council's employee and elected Member induction training programmes include the Whistle blowing policy and copies of this policy are available on the intranet which includes examples of the issues that can be reported.</p>
<p>6. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <ul style="list-style-type: none"> - How are the risks relating to these posts identified, assessed and managed? 	<p>All post holders with budget or cash handling responsibilities are considered to be in positions that could be susceptible to fraudulent activity.</p> <p>Specific high risk posts include the Section 151 and Deputy 151 Officer and cash flow manager. Controls in place through authorisation processes, financial rules, system controls and segregation of duties.</p> <p>The Council has approved a Counter Fraud and Corruption Policy which provides guidance to employees and elected Members of staff on how to prevent and detect unlawful activity.</p>
<p>7. Are you aware of any related party relationships or</p>	<p>Annual returns have not identified</p>

Question	Management response
<p>transactions that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> - How do you mitigate the risks associated with fraud related to related party relationships and transactions? 	<p>any third party relationships of transactions that are of concern to management.</p>
<p>8. What arrangements are in place to report fraud issues to Audit Committee?</p>	<p>This aspect has been included in annual opinion reports by the Head of Internal Audit. As from June 2013 there will be a separate report from the Head of Internal Audit on Counter Fraud activity.</p>

Law and Regulation

Auditing standards (ISA 250) require us to consider the impact that law and regulation and litigation may have on the Council's financial statements. The factors that may result in particular risks of material misstatement due to fraud or error are:

- the operational regulatory framework - this covers the legislation that governs the operations of the Council
- the financial reporting framework - according to the requirements of International Financial Reporting Standards, the Code of Accounting for Local Authorities in England and relevant Directions
- taxation considerations - for example compliance with Value Added Tax and Income Tax regulations
- government policies that otherwise impact on the Council's business
- other external factors
- litigation and claims against the Council.

Where we become aware of information about a possible instance of non-compliance we need to gain an understanding of it to evaluate the possible effect on the financial statements.

The Auditing Standards (ISAs) also require us to make enquiries of management and the Audit Committee about the arrangements in place to comply with law and regulation. To help with this, management have responded to the following questions.

Table 2: Law and Regulation

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with?	The Council's S151 officer Directors and Managers ensure that all legal requirements are met. Assurance is gained from internal controls the audit process, VAT and treasury advisers. All of the reports to Cabinet, Committee and Council include legal financial and HR implications which are completed by the relevant professional officer.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The Audit Committee is advised by the Council's S.151 Officer,

Question	Management response
	<p>Internal Audit and the Corporate Governance, Risk and Compliance officer who provide assurance regarding compliance with laws, regulation and financial rules They bring any issues to the attention of the Committee and provide updates on progress against any appropriate action plans.</p> <p>There is a standard section within all reports to Council, Cabinet and Audit Committee for Legal, Finance and HR to identify the relevant implications and risks.</p>
<p>3. Have there been any instances of non-compliance with law and regulation since 1 April 2012?</p>	<p>No</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>None as far as the Council is aware</p>

Going concern

Going concern is a fundamental principle in the preparation of financial statements. Under the going concern assumption, a council is viewed as continuing in operation for the foreseeable future with no necessity of liquidation or ceasing trading. Accordingly, a council's assets and liabilities are recorded on the basis that assets will be realised and liabilities discharged in the normal course of business. A key consideration of going concern is that the Council has the cash resources and reserves to meet its obligations as they fall due in the foreseeable future.

The Auditing Standards (ISAs) also require us to make enquiries of management and the Audit Committee about the going concern assumption. To help with this, management have responded to the following questions.

Table 3 – Going concern

Question	Management response
1. How does management gain assurance that the entity is a going concern	The council is a local authority, receiving annual government grant settlements and contributions as well as taxation and income for goods and services provided. Please refer to the accounting concepts note in the 2012/13 statement of accounts. A balanced and deliverable budget was approved by Council on 8 th February 2013 which is reviewed and assessed for robustness by the Section 151 officer.
2. Are the financial assumptions (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year? Are there any current adverse financial indicators including negative cash flow	Yes. the budget and annual plan are aligned and are worked on in tandem to ensure funding is available to delivery the council's aspirations. No. Regular monitoring, of which cabinet is notified formally on a quarterly basis, has not identified any issues.
3. Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern	Yes. The annual preparation process ensures that policy changes are dealt with.
4. Does the Council have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives?	Yes. Capacity is recognised as a Corporate Risk and is identified with the Corporate Risk Register which is

Question	Management response
<p>If not, what action is being taken to obtain those skills?</p>	<p>monitored by SLT on a monthly basis.</p> <p>SLT also receive and consider a Capacity/Resource plan every qtr</p> <p>The annual budget setting process considers any shortfall in staffing capacity and may include request for additional funding to support additional staffing to fulfil objectives e.g. empty properties officer in 2013/14 budget.</p>
<p>5. Have there been any significant issues raised with the Audit Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>No</p>

Related Parties

For local government bodies, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS 24: Related party disclosures. The Code identifies the following as related parties to local government bodies:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council (i.e. subsidiaries)
- associates and joint ventures
- an entity that has an interest in the Council that gives it significant influence over the Council
- key officers, and close members of the family of key officers
- post-employment benefit plan (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

The Code notes that, in considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged from the viewpoint of both the Council and the related party.

Accounting standards (ISA 550) requires us to review your procedures for identifying related party transactions and obtaining an understanding of the controls that you have established to identify such transactions. We will carry out testing to ensure that the related party transaction disclosures made in the financial statements are complete and accurate.

Table 3: Related Parties

Question	Management response
1. Who are the Council's related parties?	These are listed in the 2012/13 statement of accounts. There are not expected to be any major changes to those relating to 2013/14. The main related parties included in the note to the accounts in 2013/14 will include Ubico for the first time. Cheltenham Borough Homes will be reported, as in previous years
2. What are the controls in place to identify, account for, and disclose, related party transactions and relationships?	Annual declarations are signed by individual members and senior officers. These are then reviewed against information available on known related parties, e.g. checked against membership of main organisations. All staff and members are asked to complete a questionnaire, declaring any related parties. If there are any that could lead to risk, the council would not order from or deal with the

Question	Management response
	party concerned.

Accounting Estimates

Local Government bodies need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Council identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Council are using as part of their accounts preparation; these are detailed in appendix 1 to this report.

The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

Appendix 1 Accounting Estimates

Table 5

Estimate	Method/model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property plant & equipment (PPE) valuations	Valuations are made by an External Valuer (Non Dwellings) and Internal Valuer (Dwellings) in line with RICS guidance. A revaluation of assets is carried out on every 5 year.	Finance team notifies the Valuers of the program of valuations and any conditions that may impact on that valuation.	External Valuation Company/ HRA by Internal Valuers	Valuations are made in-line with RICS guidance with reliance on an expert.	No
	The Valuer's are asked to consider whether there has been any impairments of assets in year	Valuers review assets held and discuss with finance any known events in year which may have impacted on the value.	External Valuation Company/ HRA by Internal Valuers	Valuations are made in-line with RICS guidance with reliance on an expert.	No

Estimate	Method/model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Estimated remaining useful economic life (UEL) of PPE & Depreciation	The remaining UEL of an asset is calculated by the Internal Valuer every 5 years following the RICS guidance. Depreciation is then calculated on a straight line basis in line with IAS 16	The Council uses the information provided by the Valuer for UEL of assets and then uses the standard straight line depreciation formula suggested in ISA 16	Internal Valuation department.	The method makes some assumptions about asset lives and how asset are being used, which by their nature contain a degree of uncertainty because of the long period of time being considered.	No
Pension (IAS 19)	Reliance on information provided by actuary about assumptions on population and future economic growth.	Members and contribution rates are known and shared with actuary. Actuary uses population and economic data to make estimates of future liabilities and assets Interim navigator reports are provided by the actuary that support the annual estimate of pension liabilities with the annual budget and MTFS.	Pension Actuary	There is a degree of estimation uncertainty as projection of assets and liabilities are over a very long term. However actuary uses most up to date information to make their assumptions. No other alternative estimation techniques have been identified.	No



www.grant-thornton.co.uk

© 2013 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

This page is intentionally left blank
Page 38

Cheltenham Borough Council Audit Committee – 19th June 2013 Internal Audit Monitoring Report

Accountable member	Cabinet Member Corporate Services - Councillor Jon Walklett
Accountable officer	Head of Audit Cotswolds – Robert Milford
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>There are no direct financial implications arising from this report.</p> <p>Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>None specific arising from the report recommendation.</p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>No additional HR implications arising from this report.</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>“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.” (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 2012/13 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. We did lose one of our team in February 2013 which will be filled later this year. However the audit plan for 2012/13 is now complete. All other work will now inform 2013/14.
- 3.2 Internal Audit has concluded the following audits:

Audit	Report status	Assurance
Grosvenor Terrace Refurbishment Project	Consultancy	

Commissioning - General	Consultancy	
Commissioning - Leisure & Culture	Consultancy	
Commissioning - ICT Project	Consultancy	
Commissioning - ICT Project (due diligence)	Final (Phase 2)	Risk review
Council Tax	Final	Satisfactory
Service Governance - GOSS	Final	Satisfactory
Housing & Council Tax Benefit	Final	Satisfactory
Art Gallery & Museum Project	Consultancy	
GOSS Payroll	Final	Limited
GOSS Systems Administration	Final	Limited
GOSS Debtors	Draft	
GOSS Creditors	Draft	
GOSS Main Accounting & Treasury Management	Draft	
GOSS Budgetary Control and Capital Accounting	Draft	
Cash Receipting	Draft	

3.3 Audit Cotswolds has also undertaken the following:

- Audit provision for GO Shared Service

- Audit provision for Ubico Ltd
- Audit Provision for Cheltenham Borough Homes

- 3.5 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.
- 3.6 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.

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

This page is intentionally left blank
Page 44

Internal Audit Monitoring Report

Audit	Report status	Assurance
Council Tax	Final	Satisfactory

Overview and Key Findings

Council Tax and NNDR processes and procedures are a core financial system of the Council and appropriate control over their operation is fundamental to the financial management element of the Council's statement of internal control.

The main objectives of the review have been to test the adequacy and effectiveness of internal controls; to ensure that current processes are meeting the requirements of internal policy, procedural standards and targets; and to ensure the processes are meeting external codes of practice, good practice and, as appropriate, statutory regulations.

Areas of work tested during the review have included property valuations (RV and banding); liability; exemptions; discounts; comparative collection rates; reports and agreement to Council Tax reforms (discounts and exemptions) to be implemented in 2013/14; billing timetables and 'billing cycle pack', including parish, police and county precepts. Results of all testing indicate a high level of compliance with required processes and procedures and no issues arose from the testing undertaken. Procedures remain well managed with experienced officers fully aware of their roles and responsibilities.

One area of concern that has arisen relates to the significant number of adverse performance issues with the open revenues software system. Since October 2011 there have been significant problems with the system in terms of slow processing and some downtime. This was initially attributed to a move from a physical to virtual server, compounded by virus issues from around November 2012. More detail on all this is included in the body of the report. In February 2013 an upgrade of the windows environment on the server has improved operating speeds but the Revenues Manager states that, currently, this is still slower than 2 years ago.

These problems with systems operating speeds were also identified in the Housing Benefits audit report and similar recommendations relating to this were made in that report.

Management Response

The systems performance issues have had a significant impact on the staff and the service and it has been an extremely frustrating time. It has not been possible to run many system processes or complete scheduled tasks. Prioritisation has minimised the effect on customers.

There is no legal requirement for a form to be completed so that a single person discount can be awarded. In some cases we do require a form but in many cases discounts are awarded following information being provided over the phone or by email. Any requirement for customers to complete and sign a form in every case would be poor customer service, delay the issue of bills and create inefficient working processes. A

<p>review of single person discount cases to confirm eligibility is undertaken each year with the council tax bill</p>		
<p>Service Governance - GOSS</p>	<p>Final</p>	<p>Satisfactory</p>
<p>Overview and Key Findings</p> <p>The partner organisations have all agreed, contractually defined GOSS governance requirements, covering reporting structures, roles & responsibilities, review groups, terms of reference, voting rights and all are, in the main, working effectively. Linked to this, we would suggest that the different position in respect of meeting quorum and voting rights for JMLG and COG, be more clearly defined, both for practical purposes and to avoid any ambiguity. We also found that the JMLG 'Terms of Reference' required updating as its main purpose is still linked to the GO Programme which has closed.</p> <p>The contractual arrangements are complex as they include, Business Case, Collaboration and Variation Agreements, s101s and Addendum, and are all linked to each other, but it is accepted that they have served a purpose in the development of the shared service operation. In the future, however, it is important that any changes to a specific document are not viewed in isolation.</p> <p>We recognised that there was potential for conflict of roles for the Head of GOSS, who is also the Head of Finance and S151 Officer for CDC. As such, we raised this with the post-holder and relevant S151 Officers who assured us that they had no specific concerns and felt that any potential risk was appropriately mitigated.</p> <p>As far as the financial position is concerned, we received information from the GOSS Head of Finance (CDC & WODC), that the recharging split to the 4 partner councils has been defined and invoices have just been raised for staff salaries with the finalisation of other charges is currently being resolved. We believe it is unclear whether allocation of all final costs and percentage savings will be wholly in line with original, individual council expectations. On the basis that the final cost outcome and percentage savings position will shortly be defined, we would suggest that the S151 Officers, representing the 4 partner councils, be accountable for acceptance that these financial outcomes are acceptable, reported accurately and completely and continue to meet the original savings expectations of the shared service project. If they do not, full explanation of overspends should be reported to the partner councils.</p> <p>As a result of the overall findings, which are generally sound, we are able to give this first review of GOSS corporate governance arrangements a 'satisfactory' level of assurance. Further improvements can be made by implementing the 'Action Points' noted in the report, which includes, improved demonstration of accountabilities/decision making, acceptance of the financial outcomes for individual partner councils and developing other corporate governance areas, i.e. risk and performance management.</p> <p>Management Response to Findings</p> <p>The relevant client officers accepted the report and no specific comments were requested to be included here</p>		
<p>Housing & Council Tax Benefit</p>	<p>Final</p>	<p>Satisfactory</p>

Overview and Key Findings

This audit has been completed as part of the annual review of the core financial systems which are fundamental to the financial management of the Council.

Appropriate control over the operation of this system is fundamental to the financial management element of the Council's annual governance statement.

Housing and Council Tax Benefits are a core financial system and as such are audited each year; the fundamental control testing is a requirement of Grant Thornton the external auditor and is included in the Internal Auditing testing.

The main objectives of the review have been to test the adequacy, efficiency and effectiveness of internal controls in place; to ensure that current processes are meeting the requirements of internal policy, procedural standards and targets for each system reviewed; and to ensure the processes are meeting external codes of practice, and, as appropriate, statutory regulations.

The work undertaken during the review has been sufficient to address these objectives and gain an opinion on the level of assurance that can be placed on the system of controls operating within the Council. This opinion is given at the end of this section of the report

Our review focused the following areas: fundamental processing controls, implementation of new legislation and policies, planning for future change, ICT application management, the interface with Go shared Services, fraud prevention, detection and investigation, overpayment detection and recovery. We have also followed up recommendations agreed with management from our prior year audit.

Standardised detailed checklists for Housing and Council Tax Benefit new claims and Change in Circumstances claims are not being completed during the reviewing process, however weekly monitoring worksheets are completed by monitoring officers to assess the accuracy, completeness and validity of claims processed on the Open Revenues Benefit system.

Department for Work and Pensions (DWP) Access Management compliance checks are being completed by the Benefits Team within the agreed DWP deadlines, however DWP Management Check records were not fully completed or properly reviewed by Benefits Officers.

During our audit, we evidenced that a significant number of ongoing adverse performance issues with the Open Revenues and Benefits system. We identified frequent periods of system down time, which in turn affected the Revenues and Benefits staff performing their day to day duties.

Our follow up reviews from the 2011-12 audits identified a number of outstanding proposed actions by ICT: the upgrade on the virtual server and the server memory increase on the Benefit system has not been implemented by the ICT, this has also contributed to the on adverse performance of the Open Revenue Benefit system

Management Response

2012/13 has been a difficult year with the ongoing reduction in network speed, which reached to unacceptable levels back in October 2012, system downtime and the knock on affect of staff morale. In addition to this we had two major housing benefit regulation changes to plan for, the abolition of council tax benefit and the implementation of the new localised council tax support scheme.

In February 2013, the server work was started and the live system was placed on its on server, which has given us back the network speed we had before October 2012. Further work has been promised to improve network speed and we await a timetable for change from the new Joint ICT manager with Forest of Dean.

The splitting of the servers allowed us to fully test the council tax support scheme, benefit regulation changes, complete the year end uprating work and produce all the new award letters with limited disruption to the service ready for year end rollover.

In 2011/12 the system thinking team reviewed the whole of the quality monitoring process and cut out a lot of unnecessary form filling and waste to enable the reduced team to still monitor the same amount of claims. If we brought back the management checklist then we would either need to increase staff again or reduce the % of claims checked. The alternative option of just adding the checking officer's signature to the daily monitoring schedules has been adopted.

DWP management checks are completed by officers and checked by the senior benefit officer. Audit found one record in its sample which had been completed, officer's name printed, but not signed by the officer. A larger check found no other errors and was put down to human error. The senior benefit officer has spoken to all staff to remind them of the importance of the check lists and he will double check for signatures, when he validates that the DWP enquiry was in respect of a valid HB/CTB claim.

GOSS Payroll	Final	Limited
--------------	-------	---------

Overview and Key Findings

The GO Shared Service (GOSS) was created on 1 April 2012 and the new structure established in the autumn of 2012 with officers in post and operating from 1 November 2012. However, since November 2012 a number of staff changes especially in the HR/Payroll area have and are still occurring. Working practices within this area are also still developing. The Payroll review commenced in November 2012 and has been carried out in this fluid environment.

Payroll services are being delivered for CBC (including an additional three smaller organisations), FODDC, CBH Ltd and Ubico Ltd from the West HR/Payroll Business Centre based in Cheltenham. The East HR/Payroll Business Centre based in Cirencester is providing the service for CDC (including the Cotswold Conservation Board) and WODC.

The main objective of payroll systems is to pay the right employee the right amount on time. Since the GOSS took responsibility for the payroll function, each partner/clients payroll has been delivered on time.

However, the control environment needs to be enhanced as the accuracy of both fixed and variable data do not ensure the service objective (payment of the right amount) can be consistently assured.

High level controls which mitigate the risk of significant error and inaccurate accounting records were either not operated or not operating effectively. These controls are:

- Ensuring payments shown in the main accounting records are accurate and complete

- Ensuring there are no significant errors in the payroll and resulting payments
- Ensuring payment is only made to valid employees.

One of the key aims of GOSS is to drive efficiencies through effective processing arrangements and to add resilience to service delivery arrangements. Standardised processes can enhance efficiency and effectiveness and help build resilience; however, we found evidence of inconsistent processes between the two Business Centres. Examples include reconciliation procedures, reviewing of exception reporting, and submission of the BACS payment files. We also found inconsistencies in the set up of payment and deduction codes across the clients.

The audit opinion at this current time is limited as assurance cannot be placed upon the controls currently operating at either Business Centre. Recommendations have been made to improve the control environment and ensure management obtain greater assurance over the payroll; that it is accurately delivered for each client and each individual.

Management response

At the time the audit was completed, new payroll teams were just being formed, and team members still getting to grips with a new system. GOSS is a complex, multi-site operation, delivering to six major customers, and a number of smaller payroll bureau customers. The pace of change has been huge during 2012-13, with a TUPE transfer of all staff to an employing council, a restructure, and a 25% reduction in staffing (in advance of the real gains to be had from self-service implementation). What is clear at the end of this financial year, is that the service is still some way off where it was anticipated to be at this point in time, given the issues with the Agresso system implementation. It is in this context that the audit needs to be considered

Capacity and resource constraints are high on the agenda. For payroll, GOSS have appointed an additional Payroll Business Partner, who will commence in role in the middle of May 2013. This will release the West Payroll Business Partner (former Agresso Payroll Process Lead) as a development role to focus on a review of systems, controls, (including recording of inputting errors and their resolution), standardisation, month end routines, and knowledge sharing and training.

A work plan will be put in place, and a meeting is being held on 20th May 2013 with Payroll Business Partners and HR Managers to construct the work plan priorities, and address issues of capacity and resilience. This work will address the majority of the issues in this report.

Following the TUPE transfer of staff in April 2012 to Cotswold DC as the employing council, and following consultation, the new GOSS structure was implemented from November 2012. The issue of accommodation and service location for both HR and Finance was fully considered by GOSS Senior Management team as part of the process. Partner Councils and staff were also fully consulted, and it was determined that, for business reasons, the HR Payroll service would be located at, and operate from two main administrative sites, these being Cheltenham and Cirencester. GOSS HR Management team is working hard with the Payroll Business Partners to ensure that the resilience and capacity issues are resolved. The wider GOSS SMT held a team session with all GOSS staff on 24th April 2012. The issue of capacity and resilience was identified as one of the GOSS improvement themes and a task and finish group will be set up, to be led by the Head of HR and Head of Finance (East).

--	--	--

This page is intentionally left blank
Page 50

**Cheltenham Borough Council
Audit Committee – 19th June 2013
Annual Internal Audit Opinion**

Accountable member	Cabinet Member Corporate Services – Councillor Jon Walklett
Accountable officer	Head of Audit Cotswolds – Robert Milford
Ward(s) affected	All
Key Decision	No
Executive summary	<p>This Annual Report gives my opinion as the Head of Internal Audit and therefore the officer responsible for the delivery of the internal audit function, which includes assessing the adequacy and effectiveness of internal control within Cheltenham Borough Council. My opinion is based on the adequacy of control, noted from a selection of risk-based audits carried out during the year and, other advice work on control systems including the proactive work of the service as it supports the control arrangements within change projects. The results of any external inspections also inform the opinion.</p> <p>Throughout the year we have measured the degree of control assurance within the systems or elements of systems we have audited or supported by way of control advice. Overall, it is my opinion that a satisfactory assurance level can be given for the controls in place, within the areas where audit activity has taken place, to safeguard these systems which in turn support the delivery of the Council's overall business objectives.</p> <p>Where operational control issues were raised, these are subject to agreed action plans that mitigate risk or the auditors control advice is incorporated within the risk management arrangements for projects and system development or change.</p>
Recommendations	That the Committee considers the report and notes the opinion.

Financial implications	<p>There are no direct financial implications arising from this report.</p> <p>Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>None specific arising from the report recommendation.</p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>

<p>HR implications (including learning and organisational development)</p>	<p>No additional HR implications arising from this report.</p> <p>Contact officer: <i>Julie McCarthy, GO Shared Service HR Manager (West)</i></p> <p>julie.mccarthy@cheltenham.gov.uk,</p> <p>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>“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.” (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 report outlines how the Internal Audit function has supported the Council in meeting the requirements of Regulation 4 the Accounts and Audit Regulations 2011. These state that:

“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”

“The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.”

- 1.2 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states that “The Head of Internal Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control*”

*The Statement of Internal Control has been superseded by the Annual Governance Statement (AGS) and, as such, this report now relates to the AGS

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. The opinion takes into account this more flexible approach.

3. Annual Internal Audit Opinion

- 3.1 **Satisfactory assurance** can be given that there is a generally sound system of internal control, designed to meet the organisation’s objectives, and that controls are generally being applied consistently. Some weakness in the design and/or inconsistent application of controls have been identified, recommendations made and improvement plans agreed.

Report author	Robert Milford, Head of Audit Cotswolds, 01242 775174, Robert.milford@cheltenham.gov.uk
Appendices	Appendix 1 ~ Annual Internal Audit Opinion 2012/13
Background information	None

This page is intentionally left blank
Page 54



'Working in partnership for a sustainable, high quality service'



ANNUAL INTERNAL AUDIT OPINION
Cheltenham Borough Council

Annual Internal Audit Opinion 2012-13

Introduction

In April 2012 Cheltenham Borough Council and West Oxfordshire District Council delegated their Internal Audit services to Cotswold District Council. This partnership is known as 'Audit Cotswolds' and provides the internal audit services for the Council. This service is required by statute. A significant part of the modern role of the service is the provision of a broad control evaluation function, by either offering or supporting control assurances gained through activities like risk management, performance management, complaints systems and external inspection.

Good practice guidance suggests that the Internal Audit Annual Report should include the key areas of;

- An opinion on the overall adequacy and effectiveness of the control environment,
- A summary of the work from which the opinion is derived,
- Comment on compliance with the Code of Practice for Internal Audit,
- A summary of service performance against its performance measures,
- Detail the internal audit quality assurance process and results.

This report makes comment on each of these and a number of other matters.

Responsibilities

It is a management responsibility to develop and maintain the internal control framework and to ensure compliance with it. The Audit Committee is responsible for obtaining assurance in respect of the control environment operating, part of which comes from the work and opinion of internal audit.

Opinion on the overall adequacy and effectiveness of the control environment

This Annual Report gives my opinion as the Head of Internal Audit and therefore the officer responsible for the delivery of the internal audit function, which includes assessing the adequacy and effectiveness of internal control within Cheltenham Borough Council. My opinion is based on the adequacy of control, noted from a selection of risk-based audits carried out during the year and, other advice work on control systems including the proactive work of the service as it supports the control arrangements within change projects. The results of any external inspections also inform the opinion.

Throughout the year we have measured the degree of control assurance within the systems or elements of systems we have audited or supported by way of control advice. Overall, it is my opinion that a **satisfactory assurance** level can be given for the controls in place, within the areas where audit activity has taken place, to safeguard these systems which in turn support the delivery of the Council's overall business objectives.

Where operational control issues were raised, these are subject to agreed action plans that mitigate risk or the auditors control advice is incorporated within the risk management arrangements for projects and system development or change.

A formal opinion statement is included in **Appendix 1**.

The Council's Annual Governance Statement (AGS)

The opinion of the Head of Internal Audit on the control environment forms part of the evidence supporting the Council's Annual Governance Statement. The primary basis for this opinion, the work undertaken during the year, is detailed within Appendix A. There were matters arising from the work during the year that are deemed a significant control weakness by a 'limited assurance' opinion, these are detailed below. In these

areas, the risks associated with the control issues raised in the audit reports are being actively managed by the responsible Management.

Compliance with the Internal Audit Code of Practice

As well as offering an opinion based on the work undertaken during the year, the Annual Report should also provide the Senior Management and the Audit Committee with assurance that the internal audit service complies with professional internal auditing standards.

It is a requirement of the Accounts and Audit Regulations that Local Authorities undertake an annual review of the effectiveness of its internal audit provision.

This year due to the changes in the internal audit standards, this is the last year we will be assessed against the CIPFA 2006 code of practice for internal audit in local government. This assessment was reported to the Audit Partnership Board and to the Audit Committee in June 2013 timed to support this opinion report. For 2013-14 the new CIPFA Public Sector Internal Audit Standards will apply.

Quality Assurance Arrangements and Performance

There is a two stage review process to ensure the quality of the service. The first stage has been briefly mentioned above and is in the form of the Audit Partnership Board. The Audit Partnership Board operates under a Terms of Reference that was adopted on the 1st April 2012 as part of the Section 101 Agreement. The Terms of Reference clearly identify under the section 'Responsibility' that there is a requirement for the Partnership Board to monitor performance and effectiveness.

The second stage relates to specific audit review work. There is a robust quality assurance process in place for all audit review work that includes the following:

- The Head of the Audit Partnership is responsible for:
 - Developing an annual risk based plan in consultation with senior management
 - Ensure that the plan remains relevant through the year by realigning to new and emerging risks if necessary
 - Escalation of significant audit issues to the appropriate level to ensure risks are appropriately mitigated in line with management's risk appetite
 - Provision of training to audit staff to ensure continual professional development requirements are delivered and any specialist areas identified in the plan can be resourced e.g. environmental auditing.
- Principal Auditors within the team are tasked with:
 - Conducting periodic meetings with the auditor during site work,
 - Review and approval of the draft report,
 - Review and assessment of the working file,
 - Agreement of the 'points forward', the issues for consideration at next audit review or for the next audit plan

Further quality assurance is provided through the use of formal appraisal schemes and other staff based codes and programmes.

Effectiveness of Internal Audit

Although the above sections of this report outline compliance with national standards there is no national measurement of effectiveness. Indications are that we provide an effective service, actual measurements and evidence is provided through locally driven feedback and comparison through membership of the CIPFA benchmarking group, and that management are proactive in audit planning and responsive to recommendations and advice. We have an Audit Charter and work to an approved annual plan, there is now a directing audit strategy, with the main drivers coming from the business case objectives. The Audit Charter and the Annual Plan demonstrates what the Council wishes from its internal audit service, for example the relationship or balance between financial, governance, and operational assurance, consultancy type work, value for money activity and counter fraud work. Whereas the Strategy provides details on the resources needed to meet these service requirements

Developing the Internal Audit planning process

The Audit Plan for 2012-13 was developed using a risk based process. In accordance with professional best practice there has been an increasing link between audit activity and the Council's risk management process and several reviews were undertaken on areas identified in risk registers. Although the audit plan approved at the start of the year is the basis for the year's activities the service needs to be responsive to emerging risks. Examples in 2012-13 of unplanned work includes the investigation into the virus attack on the Council's infrastructure.

Resourcing

The service is now delivered by Audit Cotswolds. This partnership has enhanced the resilience and skills base of the service. The service through 2012-13 was delivered by a team with the following professional institute backgrounds:

- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Chartered Institute of Internal Auditors (IIA)
- Chartered Management Institute (CMI)
- Chartered Institute of Management Accountants (CIMA)
- Institute of Management Services (IMS)
- Institute of Accounting Technicians (AAT)

Furthermore there is now a considerable amount of internal audit experience available, many of these gained at senior management level and drawn from both the public and private sectors.

A supportive network has developed in recent years between the Internal Audit Sections across the Gloucestershire Districts. We have provided audit assurance to the GO Shared Service with a working relationship with the Internal Audit team at the Forest of Dean DC.

There is an agreement with the Chief Finance Officer that funding will be made available to engage 'specialist' audit or 'professional' skills should an audit activity demand this, which supports the Code of Practice which requires access to such skills if needed.

Training undertaken during the year

Audit work demands a sound understanding of all sectors of the organisation, of professional standards, of developing and emerging trends, and of issues both with the profession (including professional requirements for continuing professional development (CPD)) and local government for the services provided to the Council. During the year the following training was undertaken:

- Continuing professional development – CIPFA audit training seminars
- IIA professional update sessions and attendance at the South West region conference
- Attendance at the CIPFA annual audit conference
- Two members of the team completed their 'MSc Audit Management and Consultancy' which embodies the Chartered Institute of Internal Auditors professional qualification.
- One member of the team has commenced a PhD on Shared Service Governance in Local Authorities

Looking forward

The past year has seen the establishment of multiple shared service models which require different internal audit skills. Therefore the training programme has focused on expanding the skills necessary to engage in the different roles required for the different shared services. This will include further development of working practices and audit related ICT systems. This will ensure a sustainable, high quality service will continue to be delivered for the Council.

Conclusion

During the year, Audit Cotswolds delivered a programme of work and responded to emerging issues. The service continues to make a valuable contribution to an improving control environment and culture within the Council.

The work, support and advice provided by Audit Cotswolds will be key in relation to the controls and their effectiveness in the management of risk as the Council seeks to; meet efficiency targets, reduce its budget, review its methods and approach to service delivery levels, embraces new challenges, increase partnership working and engages the shared services agenda.

Robert Milford MA PGDip CMgr FCMI CMIIA AMS

Head of Audit Cotswolds (Head of Internal Audit)



Cheltenham Borough Council

Cheltenham Borough Council

Audit Partnership Manager & Head of Internal Audit

Opinion on the effectiveness of the system of Internal Control for the year ended 31 March 2013

Roles and responsibilities

The whole Council is collectively accountable for maintaining a sound system of internal control and is responsible for putting in place arrangements for gaining assurance about the effectiveness of that overall system.

The Annual Governance Statement (AGS), is an annual statement from the Chief Executive and the Leader of the Council, on behalf of the Council, setting out the governance control environment, the review of its effectiveness, the control issues and the actions planned to further improve the control environment.

The Council's control assurance framework should bring together all of the evidence required to support the Annual Assurance Statement requirements.

In accordance with CIPFA Code of Practice for Internal Audit in Local Government, the Head of Internal Audit is required to provide an annual opinion, based upon, and limited to, the work performed, on the overall adequacy and effectiveness of the organisation's control arrangements. This is achieved through a risk-based programme of activities, agreed with management and approved by the Audit Committee, which should provide a level of assurance across a range of Council activities. The opinion does not imply that the internal audit service has reviewed all risks and controls relating to the Council or the systems it reviews.

The Head of Internal Audit Opinion

The purpose of my annual Head of Internal Audit Opinion is to contribute to the assurances available to the Chief Executive and the Council which underpin the Council's own assessment of the effectiveness of the authority's system of internal control. This opinion is one component that the Council must take into account when completing its Annual Assurance Statement.

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;
3. Commentary.

My **overall opinion** is that

Satisfactory assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. Some weakness in the design and/or inconsistent application of controls have been identified, recommendations made and improvement plans agreed.

The **basis** for forming my opinion is as follows:

1. An awareness of the design and operation of the processes which underpin the overall control framework, and
2. An assessment of the range of individual opinions arising from risk-based internal audit assignments, contained within internal audit's risk-based plan that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.

Additional areas of work that support my opinion;

3. The outcome of other external inspections of internal control systems throughout the year, for example reports provided by KPMG and latterly Grant Thornton

The **commentary** below provides the context for my opinion.

The range of individual opinions arising from risk-based audit assignments, contained within the annual plan that have been reported throughout the year.

A table of internal audit work in 2012-13 is detailed in **Appendix (i)**

This has been an extraordinary year for change in this authority. The control environment within key financial systems has undergone significant changes and that of other front line services such as refuse collection. There is still scope to improve the arrangements for some of the key governance activities examined and these are being actively progressed both through the management arrangements, which is supported by agreed action plans, following internal audit reviews.

There were several areas where a 'Limited Assurance' opinion was deemed appropriate or that showed a significant change in governance that warrants further detail in this report:

- On the 1st April 2012 the new environmental services company Ubico Ltd was launched. This is a company jointly owned by this authority and Cotswold District Council. Ubico Ltd operates under its own governance framework which includes its own accounts (provided by GO Shared Services) and external auditor (Grant Thornton). Audit Cotswolds provides the internal audit services under a Service Level Agreement. This is the first company of this type for this authority and as such the first year involved settling the new governance arrangements.
- On the 1st April 2012 GO Shared Services (GOSS) went 'live' for this authority and for Ubico Ltd and Cheltenham Borough Homes Ltd. GOSS has been rolled out to the partners and clients over nearly a year commencing with Forest of Dean District Council in December 2011 and completing with Cotswold District Council in August 2012. However, the go 'live' event was only the initial system switchover to the Agresso Business World software and Cheltenham BC hosted ICT network. The software has continued to be developed through 2012~13 addressing the issues log originally created in the GO Programme. Furthermore, the staffing structures have been changed through the year with a final structure in place by January 2013. The Client Officer Group (COG) that comprises of the Section 151 Officers (or equivalent) has met regularly through the year and has supported the implementation of GOSS. However, this has been a very significant change in systems, people and governance, and has resulted in some of the core finance systems receiving a 'limited assurance' opinion from internal auditors (Payroll, Creditors, Debtors and Systems Administration). Although it is recognised that in internal auditing terms this has been a very difficult service to review due to the fluidity of the control frameworks e.g. software and people's role have change through the year, internal audit has taken a supportive approach. Further changes are also due to occur in 2013~14 including the change of ICT host from Cheltenham BC to Forest of Dean DC.
- On the 1st November 2012 this authority was subject to a virus attack of its ICT network. This prompted an investigation by internal audit. The results of this investigation concluded that there were several failures in controls that may have enabled the virus to enter the network and slowed the speed by which it could be eliminated. Internal audit reported to the Audit Committee the results of this investigation which included a 'limited assurance' opinion. However, in 2012~13 there was also the decision to enter into a shared service with Forest of Dean DC for ICT services. This decision, plus the Cabinet decision to invest in the ICT strategy, has gone a long way to help redress the governance and control issues identified by the virus report. There is still a long way to go to address all the risks from the report but the actions to date have dealt with the immediate risks. The shared service is 'live' on the 1st April 2013.

In 2012/13 audit monitoring reports were presented to the Audit Committee. These reports provided details of audit activity quarterly through the year. Within these reports details of all full audit reports were provided for Audit Committee comment along with information relating to the service.

For the some areas identified in the table below no formal assessment in relation to control activity is made, but the general observation and advice given as part of this work feeds into my assessment of the overall control environment. Our observations and the acceptance of advice has, I feel, further enhanced the control environment.

The assessments reported from other inspection processes

In formulating our overall opinion on internal control, Internal Audit were aware of the work undertaken by other sources of assurance, their findings and their conclusions:

- External Audit (KPMG) - various reviews
- External Audit (Grant Thornton) – various reviews
- Internal Audit at Forest of Dean with regards to the GO Shared Services

Other assessments considered

The Certificates of Assurance (control self assessments by management)

The other control assurance statements and supporting evidence which are considered in the completion of the Annual Governance Statement.

Robert Milford MA PGDip CMgr FCMI CMIIA AMS

Head of Audit Cotswolds (Head of Internal Audit)



Cheltenham Borough Council

Table of internal audit work in 2012/13

Appendix (i)

AUDIT ACTIVITY / REVIEW AREAS & ASSURANCE LEVELS				
The table below provides a summary of the internal audit service activities and assurances gained.				
	Audit Activity	Assurance Opinion (if relevant)	Status	Type
1	Single Post Service Vulnerabilities		Final	Consultancy
2	Workforce Capacity Management		Final	Consultancy
3	Green Waste Accounting ~ Follow-up	Satisfactory	Final	Assurance
4	Local Authority Company Programme		Final	Consultancy
5	Car Parks - follow-up	Satisfactory	Final	Assurance
6	National Fraud Initiative & Survey		Final	Assurance
7	Cheltenham Development Task Force		Ongoing	Consultancy
8	Follow-up of recommendations – throughout the year		Ongoing	Assurance
9	GO programme assurance (Gateway Reviews)		Final	Assurance
10	GO project assurance (CBC implementation)		Final	Assurance
11	NNDR	Satisfactory	Draft	Assurance
12	Bank Reconciliation	Satisfactory	Draft	Assurance
13	AGS review		Final	Assurance
14	Performance Management	Satisfactory	Final	Assurance
15	Risk Management	Satisfactory	Final	Assurance
16	Change Programme & Projects		Ongoing	Consultancy
17	Business Continuity Management		Ongoing	Assurance
18	Investigations (ICT virus)	Limited	Final	Assurance
19	Corporate Governance Group		Ongoing	Consultancy
20	Grosvenor Terrace Refurbishment Project			
21	Commissioning - General		Ongoing	Consultancy
22	Commissioning - Leisure & Culture		Ongoing	Consultancy
23	Commissioning - ICT Project		Ongoing	Consultancy
24	Commissioning - ICT Project (due diligence) Phase 1		Final	Consultancy
25	Commissioning - ICT Project (due diligence) Phase 2		Final	Consultancy
26	Council Tax	Satisfactory	Final	Assurance
27	Service Governance - GOSS	Satisfactory	Final	Assurance
28	Housing & Council Tax Benefit	Satisfactory	Final	Assurance
29	Art Gallery & Museum Project		Ongoing	Consultancy
30	GOSS Payroll	Limited	Final	Assurance
31	GOSS Systems Administration	Limited	Final	Assurance
32	GOSS Debtors	Limited	Draft	Assurance
33	GOSS Creditors	Limited	Draft	Assurance
34	GOSS Main Accounting & Treasury Management	Satisfactory	Draft	Assurance
35	GOSS Budgetary Control and Capital Accounting	Satisfactory	Draft	Assurance
36	Cash Receipting	Satisfactory	Draft	Assurance
37	Leisure @	Satisfactory	Final	Assurance
38	Commissioning - Leisure & Culture (Business Case)		Final	Consultancy
39	New Legislation		Final	Consultancy

End.

Cheltenham Borough Council Audit Committee – 19th June 2013 Counter Fraud Report 2012-13

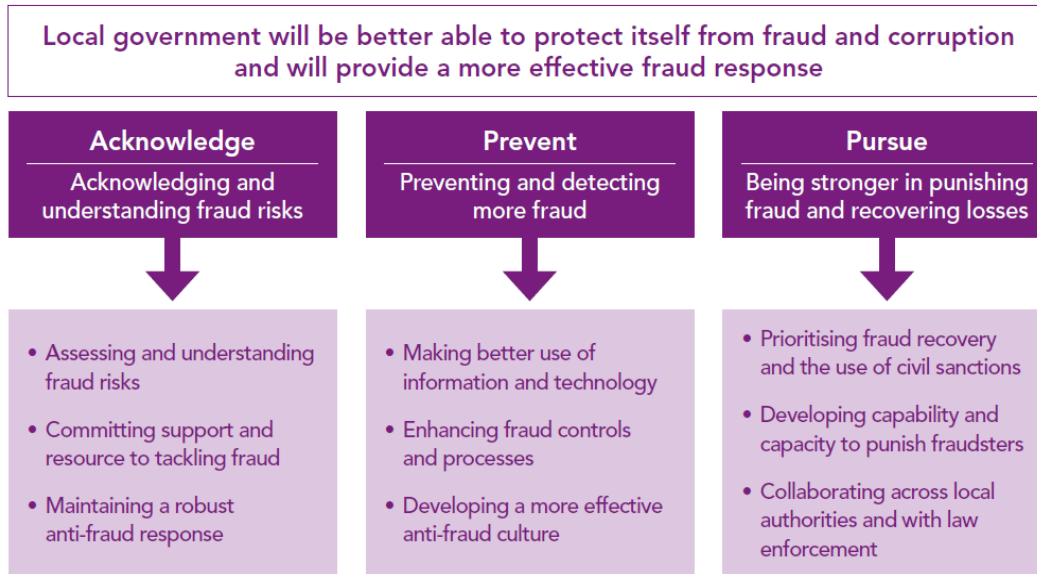
Accountable member	Cabinet Member Corporate Services – Councillor Jon Walklett
Accountable officer	Head of Audit Cotswolds – Robert Milford
Ward(s) affected	All
Key Decision	No
Executive summary	<p>The Chartered Institute of Public Finance and Accountancy (CIPFA) published a paper “<i>Delivering good governance in Local Government; Addendum, December 2012</i>”. In this paper there is a table of elements that are recognised as key in an authority’s governance framework. One of these elements is:</p> <p style="text-align: center;"><i>“ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.”</i></p> <p>This report sets out the Counter Fraud work conducted through 2012 / 13.</p>
Recommendations	That the Committee considers the report and makes comments as necessary.

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

<p>Key risks</p>	<p>That the authority is susceptible to fraud, corruption and bribery due to insufficient controls in place to Acknowledge, Prevent and or Pursue counter fraud activity.</p>
<p>Corporate and community plan Implications</p>	<p>In administering its responsibilities; this 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. Thus supporting corporate and community plans.</p>

1. Background

1.1 In 2011 the Local Government Fraud Strategy “Fighting Fraud Locally” was published that sets out the approach to fraud that is now expected of Local Government. The stated vision is that “*by 2015 Local Government will be better able to protect itself from fraud and have in place a more effective fraud response.*” It goes on to indicate three areas of focus as shown in the table below:



1.2 The Audit Commission published their document “Protecting the Public Purse 2012” which sets out a series of recommendations that Councils should inter alia “*maintain a capability to investigate non-housing benefit related fraud, proportionate to the risk*” and “*assess the potential benefits and cost savings of greater joint working with other Councils.*”

Both of these documents have been placed in the Members Room for reference.

1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a paper “*Delivering good governance in Local Government; Addendum, December 2012*”. In this paper there is a table of elements that are recognised key in an authority’s governance framework. One of these elements is:

“ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.”

1.4 This is the first separate Counter Fraud Report for this authority and the report sets out the counter-fraud and anti-corruption arrangements in this authority and the results of activity for 2012~13 set out in terms of:

- Acknowledgement,
- Prevent and
- Pursue.

1.5 Although the focus of these reports is on the criminal level fraud it is considered good practice to approach any possible 'fraud' investigation with the criminality element fully considered even if the final result is disciplinary only. Therefore the results of any disciplinary action of this nature have also been included.

2. Reasons for recommendations

2.1 The Audit Committee is the group charged with governance responsibilities at this authority and as such should receive reports on the governance framework as mentioned in 1.3.

3. Annual Counter Fraud Report

3.1 A report highlighting the areas reviewed is shown in Appendix 1

Report author	Robert Milford, Head of Audit Cotswolds, 01242 775174, Robert.milford@cheltenham.gov.uk
Appendices	Appendix 1 ~ Counter Fraud Report 2012~13
Background information	None



'Working in partnership for a sustainable, high quality service'

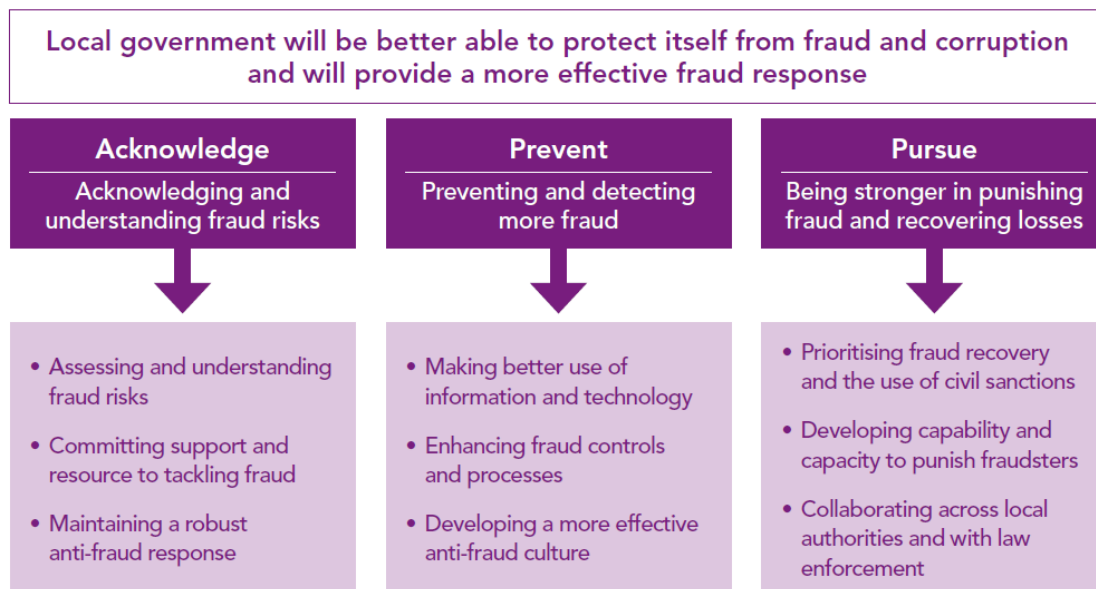


COUNTER FRAUD REPORT 2012-13
Cheltenham Borough Council

Counter Fraud Report 2012-13

1. Introduction

- 1.1 In 2011 the Local Government Fraud Strategy “Fighting Fraud Locally” was published that sets out the approach to fraud that is now expected of Local Government. The stated vision is that “*by 2015 Local Government will be better able to protect itself from fraud and have in place a more effective fraud response.*” It goes on to indicate three areas of focus as shown in the table below:



- 1.2 The Audit Commission published their document “Protecting the Public Purse 2012” which sets out a series of recommendations that Councils should inter alia “*maintain a capability to investigate non-housing benefit related fraud, proportionate to the risk*” and “*assess the potential benefits and cost savings of greater joint working with other Councils.*”

Both of these documents have been included as appendices (a & b) to this report.

- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a paper “*Delivering good governance in Local Government;*

Addendum, December 2012". In this paper there is a table of elements that are recognised key in an authority's governance framework. One of these elements is:

"ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained."

- 1.4 This is the first separate Counter Fraud Report for this authority and the report sets out the counter-fraud and anti-corruption arrangements in this authority and the results of activity for 2012~13 set out in terms of:
- Acknowledgement,
 - Prevent and
 - Pursue.
- 1.5 Although the focus of these reports is on the criminal level fraud it is considered good practice to approach any possible 'fraud' investigation with the criminality element fully considered even if the final result is disciplinary only. Therefore the results of any disciplinary action of this nature have also been included.

2. Acknowledgement

- 2.1 In the latter part of 2011/12 a fraud survey was completed by this Council for the Audit Commission. This outlined approximately 28 areas for the authority to consider in terms of types of fraud and tools required to address them. Although this authority was able to positively respond to the survey it was recognised by Internal Audit and the Benefit Fraud Team that more could be done.
- 2.2 The initial response was to set up a Counter Fraud Working Group (CFWG) across the internal audit partners (Cheltenham Borough, Cotswold District and West Oxfordshire District Councils). The CFWG included representatives from each benefit fraud team and the internal audit service.
- 2.3 The report "Protecting the Public Purse 2012" (PPP12) has been considered by the CFWG in order to plan the proactive counter fraud work for 2013/14.

Within the report there is an appendix checklist for counter fraud and this is being used by the CFWG to assess the current counter fraud system.

- 2.4 The first task was to align the policies of counter fraud across the partners and agree the approach with Corporate Management. The new Counter Fraud Policy has been approved in Cheltenham BC and is in the process of being approved by Cotswold DC and West Oxfordshire DC.
- 2.5 Furthermore, the report (PPP12) provides a focus on social housing fraud / tenancy fraud, which the CFWG recognizes as an area to review for this Council. Although the Council does not have its own housing stock there are links between different types of fraud, for example, housing benefit fraud and tenancy fraud. In February 2013 the CFWG placed a bid with the Audit Cotswolds partners for funding from the DCLG to help tackle social housing fraud, which was unfortunately unsuccessful. However, the pursuit of countering tenancy fraud is still a target for 2013/14.
- 2.6 In terms of recognising the risks of fraud the internal audit plan for 2012/13 included an allocation of days for investigation and participation in such schemes as the National Fraud Initiative (NFI). One of the Senior Auditors in Audit Cotswolds is designated as the key contact for NFI across the partnership.

3. Prevent

- 3.1 Audit Cotswolds acts as the key contact for NFI, which is a data matching exercise that matches data from multiple sources that may indicate possible fraudulent activity. For example, payroll to benefit data can be matched to indicate if someone is fraudulently claiming benefits.
- 3.2 The key element arising from the PPP12 was the general breadth of fraud issues. Although there are counter measures in place at this authority there is always a potential for fraud to occur and the CFWG has been reviewing the list of potential areas. These are then being risk assessed based on known factors at this authority e.g. when the last Single Person Discount review was undertaken for Council Tax, etc. Following this exercise there will be a proactive plan in place to address any risks arising.

- 3.3 In March 2013 the internal audit plan was approved and it included time to help promote an anti-fraud culture and proactively check systems where risks of fraud have been stated in the above reports. Furthermore, additional training and cross group working is being initiated to help enhance processes and procedures.
- 3.4 One of the tools kept under review for fraud investigations is the Regulation of Investigatory Powers Act. This covers surveillance and communications data. This authority did not use these powers in 2012/13, instead using alternative tools. However, training was undertaken by key officers that may require this tool.
- 3.5 In the latter part of 2012/13 links with Cheltenham Borough Homes Ltd and housing associations in the area were contacted to identify routes to investigate tenancy fraud.
- 3.6 Basic tools have been used through the year to raise awareness, such as, leaflets for new employees and general awareness for Members. However, this will be built on through 2013/14 to include more awareness training for managers and staff.

4. Pursue

- 4.1 The focus of 2012/13 activity has been to resource and prepare for a more proactive approach to counter fraud activity in 2013/14. This has included liaison with Human Resources and Legal Services with the aim to be prepared that if more proactive work triggers more reporting of possible frauds then the relevant services are able to pursue.
- 4.2 In terms of pursuing fraud for 2012/13 there were 97 sanctions (prosecutions, cautions and administrative penalties) the total overpayments for those were £129,420.19 arising from the benefit fraud team work. A number of joint investigations with the Department of Work Pensions helped with overpayments totalling £76,328.89. This is from two investigation officers. These officers have identified that there is an increase in cases involving capital (other houses as well as undeclared funds) and also more forged documents, and expect this trend to continue

- 4.3 There were no disciplinary or frauds reported to or investigated by internal audit for 2012/13.

5. Conclusion

- 5.1 This is the first of these reports and this will be reviewed for inclusion of any further information, frequency and format over the next 12 months.
- 5.2 There is a proactive anti-fraud culture being developed across the Audit Cotswolds partnership working with the Benefit Fraud Teams and other services.

Cheltenham Borough Council Audit Committee – 19th June 2013 Annual Effectiveness Review 2012-13

Accountable member	Cabinet Member Corporate Services – Councillor Jon Walklett
Accountable officer	Head of Audit Cotswolds – Robert Milford
Ward(s) affected	All
Key Decision	No
Executive summary	There is not a national measurement of effectiveness for internal audit, however, it is accepted that compliance with relevant standards does go some way to fulfil this requirement. This year due to the changes in the internal audit standards, this is the last year we will be assessed against the CIPFA 2006 code of practice for internal audit in local government. This assessment was reported to the Audit Partnership Board and to this committee timed to support the annual opinion report. For 2013-14 the new CIPFA Public Sector Internal Audit Standards will apply.
Recommendations	That the Committee considers the report and makes comments as necessary.

Financial implications	There are no direct financial implications arising from this report. Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123
Legal implications	None specific arising from the report recommendation. Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012
HR implications (including learning and organisational development)	No additional HR implications arising from this report. Contact officer: Julie McCarthy, GO Shared Service HR Manager (West) julie.mccarthy@cheltenham.gov.uk, 01242 26 4355
Key risks	That non-compliance with internal audit standards may result in further work being required from the external auditor or other internal auditors in relation to the shared services.

<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.” (Chartered Institute of Internal Auditing UK & Ireland).</i></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 report outlines how the Internal Audit function complied with internal audit standards and therefore has supported the Council in meeting the requirements of Regulation 4 the Accounts and Audit Regulations 2011. These state that:

“The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”

“The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.”

1.2 The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 states that “The Head of Internal Audit must provide a written report to those charged with governance timed to support the Statement on Internal Control*”

*The Statement of Internal Control has been superseded by the Annual Governance Statement (AGS) and, as such, this report now relates to the AGS

2. Reasons for recommendations

2.1 The Accounts and Audit Regulations 2011 require this effectiveness review to be considered by this committee.

3. Annual Internal Audit Effectiveness Review Results

3.1 The results show a 96% full compliance and 4% partial with no instances of non-compliance. A complete table of the areas reviewed is shown in Appendix 1

Report author	Robert Milford, Head of Audit Cotswolds, 01242 775174, Robert.milford@cheltenham.gov.uk
Appendices	Appendix 1 ~ Effectiveness Review 2012~13
Background information	None

This page is intentionally left blank
Page 78



'Working in partnership for a sustainable, high quality service'



INTERNAL AUDIT
EFFECTIVENESS REVIEW
Cheltenham Borough Council

Annual Internal Audit Effectiveness Review 2012-13

Introduction

In April 2012 Cheltenham Borough Council and West Oxfordshire District Council delegated their Internal Audit services to Cotswold District Council. This partnership is known as 'Audit Cotswolds' and provides the internal audit services for the Council. This service is required by the Accounts and Audit Regulations (2011) as set out below:

The Accounts and Audit Regulations (2011) state under regulation 4:

- 1) The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.
- 2) The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.
- 3) The findings of the review referred to in paragraph (2) must be considered by a committee, following the review, the committee must approve an annual governance statement, prepared in accordance with proper practices in relation to internal control.

Under regulation 6:

- 1) 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.
- 2) Any officer or member of a relevant body must, if the body requires:
 - a) Make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
 - b) Supply the body with such information and explanation as that body considers necessary for that purpose

3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.”

4) The findings of the review referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 4(3), by the committee or body referred to in that paragraph

There is not a national measurement of effectiveness for internal audit, however, it is accepted that compliance with relevant standards does go some way to fulfil this requirement. This year due to the changes in the internal audit standards, this is the last year we will be assessed against the CIPFA 2006 code of practice for internal audit in local government. This assessment was reported to the Audit Partnership Board and to this committee timed to support the annual opinion report. For 2013-14 the new CIPFA Public Sector Internal Audit Standards will apply.

Results of the review

Set out below is the assessment of the service against the CIPFA standards:

**AuditCotswolds
Internal Audit - Good Practice Self Assessment
Checklist 2012/13**

This is the final year where Audit Cotswolds will be assessed under the 2006 CIPFA code of practice. As from 1st April 2013 the new Public Sector Internal Audit Standards (PSIAS) will be in place.

Scoring:

- 1 = No** - performance does not comply with good practice
2 = Qualified - partial compliance
3 = Yes - performance complies with good practice

2010/11	2011/12	2012/13	
Audit Cotswolds	Audit Cotswolds	Audit Cotswolds	
enter			Evidence / Source
1, 2 or 3			

**SETTING CLEAR & PROPERLY FOCUSED
OBJECTIVES**

1. Internal audit has an agreed terms of reference.

1.1	The internal audit section has written terms of reference.	3	3	3	Financial Rules, supported by Internal Audit Charter (revised 2013), Section 101 Agreement, Partnership Board Terms of Reference
1.2	The TOR have been agreed between the chief internal auditor, senior management and councillors.	3	3	3	Agreed with Corporate Team and Audit Committees
1.3	The TOR have regard to the CIPFA Code of Practice and guidance published by relevant accountancy bodies.	3	3	3	Charter is aligned to the Chartered Institute of Internal Auditors
1.4	The TOR frame objectives for internal audit that take account of the council's corporate aims and objectives.	3	3	3	Annual Plan is aligned to risks to the organisational objectives & Charter is enabling Audit to fulfil this element
1.5	The TOR make clear that internal audit should not be a substitute for effective control.	3	3	3	Charter
1.6	The TOR authorise internal audit's free access to all operations, information, records, assets and personnel across the council.	3	3	3	Financial Rules & Charter
1.7	The TOR are reflected in the council's standing orders and financial regulations.	3	3	3	Financial Rules
1.8	The communication arrangements between members and the chief internal auditor are set out in the TOR or standing orders.	3	3	3	Financial Rules, Audit Partnership Agreement (S101), Charter, Head of Audit Cotswolds Job Description
1.9	The TOR are communicated across the council in the form of a mission statement or charter.	2	2	3	The Charter has been through all partner sites at corporate management level and Audit Committees, Further information is being published to the internet.
1.1	The TOR have been reviewed during the last 3 years	3	3	3	Reviewed in 2013 ready for the new audit standards

2. The respective roles of management and internal audit in maintaining internal control are clearly defined and communicated.

2.1	Management has defined control objectives for all major systems (financial and non-financial).	2	2	2	Delegated Authorities in the Constitution, Procurement Strategy and Financial Rules.
2.2	Internal audit is consulted about significant proposed changes to internal control systems.	3	3	3	Audit Partnership Manager (APM) and Principal Auditors consulted on change programmes e.g. GO programme, Waste, One Team
2.3	The chief internal auditor provides an overall assessment for management of the robustness of internal control for the council's main systems, based on the work done that year.	3	3	3	Covered by fundamental auditing each year, Annual Report & AGS
2.4	Internal audit reviews demonstrate to managers the strength of internal controls and the levels of risk within their systems.	3	3	3	Assurance opinion given in reports - recommendations prioritised.
2.5	The chief internal auditor reports to the responsible officer or body the basis for demonstrating compliance with Section 151 of the Local Government Act 1972	3	3	3	APM Reports to a partnership board comprising of Section 151 Officers

3. Internal audit has a clear role in relation to fraud.

3.1	The council has an anti-fraud and corruption strategy.	3	3	3	Financial Rules, <i>Anti Fraud & Corruption Strategy (being updated)</i> , Whistleblowers Policy and Terms of Reference.
3.2	A framework for internal audit involvement in fraud investigation and prosecution is set down in the anti-fraud and corruption strategy.	3	3	3	Financial Rules, Anti Fraud & Corruption Strategy, Whistleblowers Policy and Terms of Reference.
3.3	The council has a fraud response plan.	3	3	3	Financial Rules, Anti Fraud & Corruption Strategy, Whistleblowers Policy and Terms of Reference.
3.4	The fraud response plan clearly sets out the roles and responsibilities of internal audit and management and includes a protocol for informing the police.	3	3	3	Financial Rules, Anti Fraud & Corruption Strategy, Whistleblowers Policy and Terms of Reference.
3.5	The council has a 'whistleblowing' policy or confidential reporting procedure that has been communicated to all staff.	3	3	3	Financial Rules, Anti Fraud & Corruption Strategy, Whistleblowers Policy and Terms of Reference.
3.6	Where appropriate, fraud investigations lead to recommendations to help disclose similar frauds and improve internal control.	3	3	3	Financial Rules, Anti Fraud & Corruption Strategy, Whistleblowers Policy and Terms of Reference. Reporting to Audit Committee was introduced in 2012-13
3.7	The anti-fraud and corruption strategy and fraud response plan have been reviewed during the last 3 years.	3	3	2	All partner sites are in the process of updating and aligning anti-fraud policies

MAINTAINING INTERNAL AUDIT INDEPENDENCE**4. Internal audit has sufficient organisational status to be able to undertake its work effectively.**

4.1	The chief internal auditor has direct access to members, the chief executive and senior managers.	3	3	3	Financial Rules, Internal Audit Charter
4.2	The chief internal auditor formally discusses the work and performance of internal audit with the chief executive / audit panel or equivalent at least annually.	3	3	3	Regular reports to Audit Committee and 1-2-1 briefings with the Section 151 Officer(s)
4.3	Internal audit determines its own priorities, based on risk assessment, in consultation with management.	3	3	3	Annual operational plan based on risk assessment. Audit Committee approves plan after Corporate Management consultation.
4.4	The chief internal auditor reports to the responsible finance officer under s95 or to a more senior manager in the council.	3	3	3	Partnership Board (Section 151 Officers)
4.5	The level of seniority (management tier) of the chief internal auditor within the management structure helps it to function effectively and independently.	3	3	3	APM reports to Sec 151 officer but also access to CT, CEO, Leader and Audit Committee. From April 2011 Audit Partnership Manager now Head of Internal Audit at CBC and all other partner Councils
4.6	Internal audit has unrestricted access to people, systems, documents and property as it considers necessary for the proper fulfilment of its responsibilities	3	3	3	Financial Rules and Charter
4.7	The chief internal auditor is free to report, without fear or favour, eg, the chief internal auditor has the right of final edit and issues reports in his or her own name.	3	3	3	APM reports to Audit Committee

5. Internal audit is free of operational responsibilities that could compromise its independence.

5.1	Internal audit is independent of any line management task and is seen to be independent.	3	3	3	Internal Audit Charter & Financial Rules
5.2	Where internal audit provide advice and consultancy work, are staff clear when they are operating as auditors and when they are not.	3	3	3	Internal Audit Charter & Declarations of Interest
5.3	The chief internal auditor plans assignments to minimise the possibility of staff conflicts of interest.	3	3	3	APM and Principal Auditors allocate work taking account of interests recorded on annual 'declaration of interest' forms submitted by team members
5.4	Whilst reporting to the responsible finance officer, the chief internal auditor has freedom of access to all members and officers, especially the chief executive.	3	3	3	Un-restricted access to all stakeholders

5.5	Staff with family or close friends within the council do not audit activities within their section.	3	3	3	Chartered Institute of Internal Auditors code of ethics embedded in service & Internal Declaration
-----	---	---	---	---	--

PLANNING & CONTROLLING THE WORK OF INTERNAL AUDIT

6. Internal audit bases its work on a comprehensive risk assessment.

6.1	Internal audit bases its risk assessment on information from the authority's risk management process and an agreed audit risk methodology.	3	3	3	Risk Registers used where possible - Risk Management Audit undertaken annually to assess risk maturity of organisation. Plus formal consultation process with SLT/SMT
6.2	Internal audit consults widely with management to identify critical systems and risks.	3	3	3	APM consults with SMT/SLT through the year
6.3	Internal audit has a comprehensive understanding of the authority's systems, structures and operations.	3	3	3	Audit plans and reports
6.4	Internal audit uses a formal framework to assess risks.	3	3	3	Audit planning process incorporates organisations risk register and other key documents for assessment.
6.5	Internal audit uses the risk assessment to prepare audit plans and prioritise its work.	3	3	3	Audit planning process incorporates risk assessments (methodology reported to Audit Committees in March 2013)
6.6	Internal audit review their risk assessment basis at least annually periodically, depending on the extent of change within the organisation.	3	3	3	Audit uses an annually developed risk based plan, which is updated quarterly and is approved by Audit Committee

7. Internal audit operates within a structured planning framework.

7.1	Internal audit plans link back to the council's corporate aims and objectives and are co-ordinated with other review programmes (eg Best Value reviews).	3	3	3	Internal Audit Service Plan
7.2	Audit plans are produced in consultation with senior managers across the organisation.	3	3	3	Audit Plan agreed with CT/SLT, Heads of Service and approved by Audit Committee
7.3	Internal audit has a strategic plan based on risk assessment, which sets out the audit scope and objectives.	3	3	3	Audit Plan identifies the risk universe and prioritises the audits - scope and objectives confirmed at the audit brief level
7.4	The strategic plan sets out the resources required to meet the audit needs of the council and identifies any mismatch between resource needs and resource availability.	3	3	3	Available days planning linked to Audit Planning and are reviewed annually by the Partnership Board
7.5	An annual audit plan is produced which translates the strategic plan into audit assignments to be undertaken during the year.	3	3	3	Annual Audit Plan

7.6	Project plans are set out for each audit assignment, which allocate resources, set out the scope and objectives of the assignment and establish target completion dates.	3	3	3	Audit Brief
7.7	Audit plans are flexible enough to accommodate work that has arisen during the course of the plan without resulting in core risk areas not being reviewed.	3	3	3	The Audit Plan is reviewed quarterly and the Audit Brief identifies the possibility of focus change in the engagement
7.8	Significant changes to audit plans are approved by senior management and the audit committee (or equivalent).	3	3	3	Locally by Sec 151 Officer and/or Audit Committee / across partnership by the Partnership Board
7.9	The planning process takes account of the work undertaken by external audit and other review agencies and inspectorates.	3	3	3	External Auditors and other internal audit teams
7.1	Internal audit strategic plans are reviewed to reflect the changed priorities of the council.	3	3	3	Audit Plan agreed by SMT/SLT and approved by Audit Committee
7.11	The agreed annual audit plan is only revised in exceptional circumstances.	3	3	3	Core plan yes - Risk based plan is fluid

8. Internal audit has effective relationships with council members, council managers, external audit, inspectorates and other agencies.

8.1	The timing of internal audit assignments is normally arranged with the management concerned to minimise disruption.	3	3	2	2012~13 has been an exceptional year with significant service changes as a result audit has not always been able to align to management's requested timing.
8.2	There is an ongoing dialogue between the auditor and client service throughout the audit assignment.	3	3	3	Agreed brief, includes findings feedback, draft report discussion and agreements
8.3	External audit place reliance on the work of internal audit (<i>evidenced by explicit mention in annual Audit Letter</i>).	3	3	3	KPMG at CBC provided a statement to this effect
8.4	Internal audit and external audit regularly exchange audit files.	3	3	3	Audit files reviewed every year
8.5	Internal audit effectively co-ordinates its work with external audit and other review agencies.	3	3	3	This has been particularly important due to the GO Shared Service
8.6	Internal audit maintains good working relationships and channels of communication with elected members.	3	3	3	APM is the key contact for all Audit Committees

9. Internal audit properly manages, controls and records its work.

9.1	Internal audit has documented policies and procedures contained in an audit manual.	2	2	3	Audit Manual has been updated for new audit standards 2013
9.2	The chief internal auditor allocates staff to assignments according to their skills and experience.	3	3	3	Annual Plan Allocation + Assurance/Consultancy on Programmes/Projects

9.3	Internal audit staff understand the objectives of their assignments and their responsibilities.	3	3	3	Scope set out in Brief
9.4	Internal audit has a rigorous approach to collecting and managing evidence.	3	3	3	Structured Working Papers and file system
9.5	Adequate working papers are prepared to support internal audit findings, conclusions and recommendations.	3	3	3	Audit files reviewed by Principal Auditors
9.6	Internal audit work is documented at all levels from audit planning to reporting.	3	3	3	Structured Working Papers
9.7	Internal audit assignments are adequately supervised and reviewed.	3	3	3	Audit files reviewed by Principal Auditors - APM approves final reports

RESOURCING THE INTERNAL AUDIT WORK PROGRAMME

10. Internal audit is adequately staffed and resourced.

10.1	The chief internal auditor is professionally qualified and has wide experience of internal audit and its management.	3	3	3	Member of 3 professional bodies (CMAA / CMgr FCMI / AMS) and three postgraduate qualifications (DMS/MA/PgDip) and 10+ years experience
10.2	The chief internal auditor has identified a staffing structure that enables internal audit to meet its objectives and the changing needs of the organisation.	3	3	3	Organisation structure approved - partnership business case
10.3	Internal audit has adequate resources to enable it to meet its work objectives efficiently and effectively.	3	3	3	Organisation structure approved + consultancy+ Partnership agreement
10.4	Internal audit employs or has access to people with relevant skills and experience in order to undertake the required tasks.	3	3	3	In 2012/13 additional contractors were used to support the team following staff turnover
10.5	Where required the chief internal auditor can 'buy in' people for specialist work who are suitably experienced and qualified.	3	3	3	Consultants and Partnership staff. Recruited an ICT Auditor in 2012/13
10.6	Internal audit uses appropriate the latest technology for planning, audit work and reporting.	3	2	2	Internal system using Microsoft Office software - ICT networking has not been effective for the partnership.
10.7	All audit staff have job descriptions and personnel specifications that reflect their current post.	3	3	3	JD and PS exist for all posts

11. Internal audit staff are suitably trained and developed.

11.1	An induction programme has been prepared for all new audit staff.	3	3	3	Formal Council Induction programme + Published training programme
11.2	Training is tailored to the needs of individual auditors and includes both theoretical knowledge and its practical application.	3	3	3	Appraisal system + coaching for new staff + relevant external training

11.3	Internal auditors keep up-to-date with current developments in auditing and the issues facing the audited body.	3	3	3	CIIA / CIPFA / AAT / CIMA memberships, GCIAG & MDCIAG, TISonline, CMI online, Team Brief & CPD plan
11.4	All staff maintain competence through professional development.	3	3	3	Appraisal system and training programme
11.5	The chief internal auditor coordinates and keeps under review the training and development requirements of internal auditor staff.	3	3	3	Appraisal system and team meetings

12. Internal audit has clear reporting arrangements that provide management with an opinion on the adequacy of internal controls.

12.1	The chief internal auditor produces an annual report, which contains a view on the soundness of the council's internal control system.	3	3	3	Year end annual report to Audit Committee - feeds into the AGS
12.2	Internal audit has documented, systematic, procedures in place for producing and clearing reports.	2	2	3	New Charter and Manual
12.3	Reporting arrangements, including timescales for drafting, finalisation and management action have been agreed with management.	2	2	3	New Charter and Manual
12.4	Internal audit produces clear, concise, constructive written reports (<i>in the opinion of the external auditor</i>).	3	3	3	External audit provided with copies of Internal audit reports
12.5	Before issuing final reports, internal audit discusses the contents with management, and may submit a draft to confirm factual accuracy.	3	3	3	This has been particularly challenging in 2012-13 due to shared service changes
12.6	Where internal audit and management disagree the relevance of the factual content, the chief internal auditor has the opportunity to refer to this in his/her report.	3	3	3	Sec 151 officer, Director, CEO, Audit Committee Chairman, Leader of the Council (Case example CRB audit)

13. Internal audit follow up their recommendations to ensure action is taken.

13.1	Internal audit, agrees 'SMART' action plans, which identify persons responsible for implementation, with management to review progress of implementation by both parties.	3	3	3	A Risk based Recommendation Action Plan in every report
13.2	Internal audit reports instances of significant failure to comply with action plans to the appropriate senior management/members corporate management team.	3	3	3	Reports identify previous recommendations that have not been implemented
13.3	Where management do not implement internal audit recommendations, it is clear that they accept the risk resulting from not taking action.	3	3	3	Risk exposure is highlighted in the action plan and follow up, reported to Audit Committee
13.4	The results of follow up work by internal audit are used to update the Audit Committee.	3	3	3	Follow-up work is reported to Audit Committees

13.5	The results of follow up work by internal audit are used to inform updated audit plans.	3	3	3	Audit follow-up feeds Audit Planning process, plans have included some specific follow-up audits
------	---	---	---	---	--

HOLDING INTERNAL AUDIT TO ACCOUNT FOR ITS PERFORMANCE

14. Internal audit has a performance management framework that ensures continuous review of its performance.

14.1	Internal audit is accountable to an audit committee or equivalent body.	3	3	3	Audit Committee
14.2	The chief internal auditor prepares an annual plan that is presented to senior management and the audit committee (or its equivalent).	3	3	3	CT/SLT and Audit Committees
14.3	The chief internal auditor uses a set of indicators to measure the performance of internal audit.	3	3	3	Reported through Covalent + Partnership Board. APM receives an annual appraisal by the Partnership Board
14.4	Internal audit has a documented system for evaluating the performance of the unit as a whole.	3	3	3	Partnership Board and Annual effectiveness review
14.5	The chief internal auditor is responsible for continuously maintaining and developing the performance management in internal audit.	3	3	3	Service plan tasks & Team meetings
14.6	Internal audit is accredited under a national or international quality standard (eg IIP, EFQM, etc).	3	3	3	CIPFA Code of Practice & CIA Standards

15. The chief internal auditor promotes and maintains professional standards in internal audit.

15.1	Internal auditors possess knowledge of the council and its systems to a level commensurate with their role in the unit.	3	3	3	Appraisal and training promotes + Audit Partnership Manager + Principal Auditor role guides
15.2	Internal auditors are impartial in discharging their responsibilities	3	3	3	Internal Audit Charter
15.3	Disciplinary procedures are invoked where a staff member contravenes the ethical standards required by the accountancy bodies.	3	3	3	Employee Code of Conduct
15.4	Internal audit maintains a current register of declarations of interest, and acceptance of hospitality.	3	3	3	Officer Declaration of Interest & Hospitality register

SUMMARY

	2010/11	2011/12	2012/13	
1 = No - performance does not comply with good practice	0	0	0	0%
2 = Qualified - partial compliance	5	6	4	4%
3 = Yes - performance complies with good practice	92	91	93	96%
Total Questions	97	97	97	100%

The results show a 96% full compliance and 4% partial with no instances of non-compliance.

Audit Committee 2013-2014 work plan

Item	Officer	Decision / Discussion / Information
19 June 2013		
Send work plan to GT: 22 April 2013		Complete reports by: 10 June 2013
Chairs briefing: 09 May 2013		
Audit update report	Grant Thornton	For information
Audit Fee letter 2013-14	Grant Thornton	For information
Auditing Standards – communication with the audit committee (in future March meeting)	Grant Thornton	Decision
Assurance from management and those charged with Governance	Grant Thornton	For information
Internal audit opinion for 2012-13	Rob Milford	Tbc
Internal audit monitoring report	Rob Milford	Tbc
Annual governance statement	Bryan Parsons	Decision
Annual counter fraud report	Rob Milford	Tbc
Approval of the Code of Corporate Governance (in future March meeting)	Bryan Parsons	Decision
New Audit Standards (from March)	Rob Milford	For information
Effectiveness review – internal auditing standards	Rob Milford	Decision
25 September 2013		
Send work plan to GT: 12 August		Complete reports by: 16 September 2013
Chairs briefing: 21 August (date tbc)		
Audit update report	Grant Thornton	Discussion
Audit highlights memorandum - ISA 260 (2012-13)	Grant Thornton	Discussion
Financial Resilience report (2013-14)	Grant Thornton	Discussion
Internal audit monitoring report	Rob Milford	Tbc
Review of annual statement of accounts	Finance Team	Tbc
Leisure & Culture trust governance	Tbc	Tbc
Office of surveillance commissioners – RIPA inspection report	Bryan Parsons	Decision
15 January 2014		
Send work plan to GT: 2 December		Complete reports by: 6 January 2014
Chairs briefing: 12 December (date tbc)		

Audit Committee 2013-2014 work plan

Item	Officer	Decision / Discussion / Information
Audit update report	Grant Thornton	Discussion
Annual audit letter 20	Grant Thornton	Discussion
Certification of grants and returns (for the previous year)	Grant Thornton	Discussion
Internal audit monitoring report	Rob Milford	Tbc
Annual governance statement – significant issues action plan	Bryan Parsons	Decision
26 March 2014		
Send work plan to GT: 10 February	Chairs briefing: 20 February 2014 (date tbc)	Complete reports by: 17 March 2014
Audit update report	Grant Thornton	Discussion
Audit plan (for the current year)	Grant Thornton	Discussion
Auditing Standards – communicating with the Audit Committee	Grant Thornton	Decision
Annual plan (for the upcoming year)	Rob Milford	Tbc
Internal audit monitoring report	Rob Milford	Tbc
Annual review of risk management policy	Bryan Parsons	Decision
Approval of the Code of Corporate Governance	Bryan Parsons	Decision
18 June 2014		
Send work plan to GT: 5 May	Chairs briefing: *Officers will agree agenda owing to elections	Complete reports by: 9 June 2014
Audit update report	Grant Thornton	Discussion
Internal audit opinion (for the previous year)	Rob Milford	Discussion
Internal audit monitoring report	Rob Milford	Tbc
Annual governance statement	Bryan Parsons	Decision
Annual counter fraud report	Rob Milford	Tbc

Item	Officer	Decision / Discussion / Information
------	---------	-------------------------------------

Items to be added at a future date (future dates will not be agreed until March 2014)		
Corporate Strategy – consideration of governance issue	Rob Milford	Tbc
Joint training session with Cotswold, West Oxford and F.O.D councillors – governance of shared services (tbc)	Rob Milford / Mark Sheldon	n/a
Policy review timetable (briefing note)	Bryan Parsons	Information
Requirements of the Localism Act (re: local audit)	Rob Milford	Tbc

ANNUAL ITEMS (standing items to be added to the work plan each year)			
January	Audit update report	Grant Thornton	Discussion
	Annual audit letter (for the previous year)	Grant Thornton	Discussion
	Certification of grants and returns (for the previous year)	Grant Thornton	Discussion
	Internal audit monitoring report	Rob Milford	Tbc
	Annual governance statement – significant issues action plan	Bryan Parsons	Decision
March	Audit update report	Grant Thornton	Discussion
	Audit plan (for the current year)	Grant Thornton	Discussion
	Auditing Standards – communicating with the Audit Committee	Grant Thornton	Decision
	Annual plan (for the upcoming year)	Rob Milford	Tbc
	Internal audit monitoring report	Rob Milford	Tbc
	Annual review of risk management policy	Bryan Parsons	Decision
	Approval of the Code of Corporate Governance	Bryan Parsons	Decision
June	Audit update report	Grant Thornton	Discussion
	Internal audit opinion (for the previous year)	Rob Milford	Discussion
	Internal audit monitoring report	Rob Milford	Tbc
	Annual governance statement	Bryan Parsons	Decision
	Annual counter fraud report	Rob Milford	Tbc

Audit Committee 2013-2014 work plan

	Item	Officer	Decision / Discussion / Information
--	------	---------	-------------------------------------

September	Audit update report	Grant Thornton	Discussion
	Audit highlights memorandum - ISA 260 (for the previous year)	Grant Thornton	Discussion
	Financial Resilience report (for current year)	Grant Thornton	Discussion
	Internal audit monitoring report	Rob Milford	Tbc
	Review of annual statement of accounts	Finance Team	Tbc

* MS and RM have not confirmed whether they are available for the briefing dates that have been proposed.

Cheltenham Borough Council Audit Committee – 19th June 2013 Annual Governance Statement

Accountable member	Cabinet Member Corporate Services – Councillor Jon Walklett
Accountable officer	Mark Sheldon - Director of Resources
Accountable scrutiny committee	Overview and Scrutiny
Ward(s) affected	None
Key Decision	No
Executive summary	<p>The Council has a statutory duty to prepare an Annual Governance Statement (AGS) (appendix 1) to be approved as part of the annual statement of accounts</p> <p>The AGS is for the period 1st April 2012 to 31st March 2013 and indicates how the Council is complying with its Code Of Corporate Governance including the internal control arrangements and management of risk.</p> <p>The Audit Committee needs to satisfy itself that the AGS fairly reflects the arrangements within the Council, and that the suggested action plan will address the significant governance issues identified by the review.</p>
Recommendations	<ol style="list-style-type: none"> 1. The audit committee approve the AGS so that it is included within the statement of accounts, and 2. recommend to the Leader and Chief Executive Officer that they sign the AGS, and 3. request an update report in January 2014 on progress against the Significant Issues Action Plan.
Financial implications	<p>None arising from this report.</p> <p>Contact officer: Mark Sheldon</p> <p>Email: mark.sheldon@cheltenham.gov.uk Tel; 01242 264123</p>

Legal implications	<p>The Statutory context for the Annual governance Statement is as set out in the report there are no other legal implications arising from the recommendations</p> <p>Contact officer: Peter Lewis</p> <p>Email; Peter.lewis@teWKesbury.gov.uk</p> <p>Tel. 01684 272012</p>
HR implications (including learning and organisational development)	<p>The HR/L&OD team need to ensure that adequate training is provided to Members, Officers and employees on Corporate Governance to ensure compliance and embedding within the organisation.</p> <p>Contact officer: Donna Sheffield</p> <p>Email: donna.sheffield@cheltenham.gov.uk Tel: 01242 774972</p>
Key risks	None arising out of this report.
Corporate and community plan Implications	Good governance helps to deliver the Council's aspirations to be an excellent, efficient and sustainable Council. It also ensures that risks are identified and managed to protect its assets and workforce.
Environmental and climate change implications	None

1. Background

- 1.1** The Accounts and Audit (England) Regulations 2011 regulation 4 requires council's to conduct an annual review of the effectiveness of their system of internal control, including the arrangements for the management of risk. Following the review the Council must approve an Annual Governance Statement (AGS).
- 1.2** A draft AGS for the 2012/13 financial year relating to the governance of the Council is attached at Appendix 1. It has been drawn up with regard to the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice (SORP). It also has regard to guidance issued by CIPFA/SOLACE in its publication 'Delivering Good Governance in Local Government including its 2012 addendum' and the Council's Code of Corporate Governance.
- 1.3** Each March, assurance statements and evidence tables are issued to the Executive Directors and Directors for completion. The evidence tables act as internal control checklists which confirm/review the existence and adequacy of governance and control arrangements, and any significant absence of, or weakness in, the control. The areas covered by the checklist are not exhaustive and any other significant weaknesses must be reported in the Certificate of Assurance. Executive Directors and Directors have the responsibility for the completion of the Certificates.
- 1.4** The AGS is a statement regarding the review of governance that has taken place and a description of the governance frameworks that have been put in place such as the work of the Audit Committee,

- 1.5 Once complete, the evidence tables and the Certificates are reviewed by the Director of Resources, Audit Cotswolds Head of Internal Audit and the Governance, Risk and Compliance Officer to identify any governance or control improvements which should be included in the action plan for the forthcoming year. They also draw on evidence from internal and external audit reports, and other relevant evidence. The AGS is considered by the Senior Leadership Team and the Corporate Governance Group before it is submitted to this committee ahead of its consideration by Council for approval as part of the Statement of Accounts.
- 1.6 The process has identified a number of control issues, and these are highlighted in the AGS. Officers will work with the respective Directors to produce an action plan with key milestones which address these issues. The corporate governance group will monitor progress and will report back to the audit committee.

2. Reasons for recommendations

- 2.1 The AGS will form part of the Annual Statement of Accounts that will be reported to Audit Committee for approval on the 25th September 2013

3. Alternative options considered

- 3.1 None

4. Consultation and feedback

- 4.1 The results of the annual assurance review have been considered by the Senior Leadership Team and the Corporate Governance Group.

5. Performance management – monitoring and review

- 5.1 A monitoring report will be brought to Audit Committee in January 2014.

Report author	Contact officer: Bryan Parsons Email: bryan.parsons@cheltenham.gov.uk Tel: 01242 264189
Appendices	1. Annual Governance Statement
Background information	None

This page is intentionally left blank
Page 98

Cheltenham Borough Council

Annual Governance Statement 2012 - 2013

Scope of responsibility.

1. Cheltenham Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
2. There are legal and formal controls in place to ensure that it is clear who is accountable for money and governance controls at the local level. The Local Government Act of 1972 and 2000 (as amended) provide a current democratic the administrative governance arrangements for local government. The Cabinet is responsible for proposing the policy framework and budget to Council, once agreed; the Cabinet then goes on to implement those decisions.
3. In discharging this overall responsibility, Cheltenham Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions as defined by the constitution, and the management of risk.
4. Cheltenham Borough Council has approved and adopted a Code of Corporate Governance (CCG), which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. It also complies with additional guidance issued within an addendum to the framework in December 2012, which includes advice on how the Annual Governance Statement should give an increased emphasis on the Councils strategic approach.
5. A copy of the local Code of Corporate Governance (CCG) can be downloaded from the Council's website or a copy can be obtained from the Municipal Offices, Promenade, Cheltenham Gloucestershire GL50 9SA.
6. This statement explains how Cheltenham Borough Council has complied with the code and also meets the requirements of regulation 4(3) and (4) of The Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

The purpose of the CCG – the Governance Framework

7. The governance framework comprises the systems, processes, culture and values, by which we direct and control our activities and through which we account to, engage with and lead the community. It enables us to monitor the achievement of the strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
8. The internal controls are a significant part of the framework to support the management risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise risks to support the achievement of our objectives and actions.
9. The CCG for the period commencing 1st April 2012 was reviewed by the Corporate Governance Group and approved by the Audit Committee in March 2012.

The Governance Framework

10. The CGG identifies 6 principles that underpin the effective governance of the Council, and these have been used when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are set out below:

Principle 1 - Focusing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

11. Cheltenham Borough Council has a 5 year Corporate Strategy (2010 -15) which clearly articulates how the Council will deliver better outcomes for the community either directly or in partnership.
12. The Corporate Strategy Action Plan is updated on an annual basis to reflect new priorities and any issues which have arisen since it was approved to provide a clear work programme based on priorities for the Council. This document is approved by Council. Monitoring reports are considered by the Senior Leadership Team and taken to meetings of the overview and scrutiny committee to ensure that the Council's objectives are progressing as planned.
13. The Corporate Strategy sets out its vision for the long-term future of Cheltenham;

“We want Cheltenham to deliver a sustainable quality of life, where people, families, their communities and businesses thrive; and in a way which cherishes our cultural and natural heritage, reduces our impact on climate change and does not compromise the quality of life of present and future generations.”
14. This vision and its relevance are considered and challenged every year as part of the overall development of the Corporate Strategy Action Plan.
15. The Council formally agreed in June 2010 to adopt a strategic commissioning approach to put a strong focus on understanding the needs of Cheltenham and its people in designing outcomes for our services.
16. This approach has meant that we work much more closely (including sharing budgets where appropriate) with other parts of the public service and the voluntary and community sector (VCS) including the making of objective, transparent, evidence-based decisions about how services should be provided and by whom.
17. We are now recognised as a commissioning council that puts a strong focus on understanding the needs of Cheltenham and its people in designing outcomes for our services. By using a strategic commissioning approach we are seeking to improve the outcomes for people who rely on the Council and the wider public sector whilst at the same time creating opportunities for financial savings.

Commissioning

18. During 2012/13 there were 5 key commissioning reviews;
 - Leisure and Culture services (ongoing)
 - Green Environment (ongoing)
 - ICT (complete)
 - Housing Options (ongoing)
 - Car Parking (complete).

19. These reviews broadly followed the commissioning cycle and where possible took advantage of opportunities to deliver services more effectively with partners.
20. The Leisure and Culture commissioning review of the council's leisure and culture services has continued during the year, aimed at ensuring that outcomes agreed by Cabinet in December 2011 are delivered and sustained. Following an appraisal of different management options it was recommended that, subject to the results of a procurement process, a new charitable trust be created by April 2014 to operate the services. The recommendation was agreed by Cabinet in December 2012 and the procurement process began immediately.
21. Cheltenham Borough Council and Cotswold District Council formed a Local Authority Company (Ubico) from April 2012 and are partners in the wider Gloucestershire Joint Waste Partnership. There is potential for other local authorities to join in the future. This will provide the opportunity for improving outcomes and value for money within Cheltenham and the wider partnership area.
22. The Cabinet agreed a Medium Term Financial Strategy which is in line with the priorities as set out in the Council's Corporate Strategy and identifies any expenditure which may need to be incurred to meet new legislation, community needs and financial restraints. In order to address year on year budget shortfalls, efficiency savings and new or improved income, the Council has described within its Budget Strategy how it will broadly achieve the budget gap target while keeping Council tax at a reasonable level. Each year the Council looks to areas where it can make its efficiency savings, budget cuts or gain additional income, by not impacting on its ability to deliver in priority areas.
23. In February 2012, Cabinet and Council members met to discuss the final budget report for 2012/13. The Government had announced that it would cut on-going support to the Council by a further £534k in 2012/13 which cumulatively equated to a 23% cut over two years. As a result, the Council had to identify, prioritise and make savings to meet this funding gap.

Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.

24. The Council's Constitution defines and documents the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication and decision making. The Council Leader has allocated executive functions to himself, Cabinet Members, Cabinet and officers and those functions are undertaken in accordance with the Council's Budget and the Policy Framework (which includes the 5 year Corporate Strategy).
25. The Council's Constitution and Policy Framework are approved by Council, and is subject to periodic review. The Council has a Constitution Working Group comprising of elected Members and officers.
26. The Council's Constitution and Policy Framework are approved by Council, and is subject to periodic review. The Council has a cross party Constitution Working Group comprising of elected Members and is supported by officers.
27. There were three Overview and Scrutiny committees that held the bodies exercising executive functions to account through the scrutiny process and assisted with policy formulation via their overview function; from May 2012, this

was reduced to one with the objectives of making the scrutiny process more effective and achieving positive outcomes for local people. The new committee has a managing and co-ordinating role and commissions scrutiny task groups to carry out the more detailed work.

28. Scrutiny task groups are set up by the Overview and Scrutiny Committee to examine specific issues in detail and they tend to work more flexibly and informally. The review could be of an existing policy or service but scrutiny task-groups can also look to develop new policies. Their terms of reference are set by the main committee and the task group reports are reviewed by that committee before forwarding their recommendations to Cabinet or other body as appropriate.
29. The Audit Committee meets four times per year and its terms of reference are set out in the Council's constitution. The Council's external auditors have access to the committee, and the committee also has responsibility for overseeing the risk management process. A review of the Risk Management Policy including the Risk Scorecard took place in March 2013 to ensure that they reflected the changes brought because of the Commissioning activities.
30. The Localism Act 2011 abolished the statutory national standards framework for elected Members and removed the requirement for a Statutory Standards committee. In May 2012 the Council decided to retain a local Standards committee.
31. The Appointments Committee conducts the recruitment, assessment and interview process for the appointment of the Chief Executive, Executive Directors and Directors. It is also responsible for determining the conditions on which those officers hold office, including deciding matters relating to their early retirement.
32. The Council has a Chief Executive who is the Head of Paid Service which is a statutory position as defined within the Local Government and Housing Act 1989. The Chief Executive co-ordinates the Council's activities, including its management structure, the number of staff employed and the salary grades of chief officers.
33. A pay policy statement is required to be produced annually under section 38 of the Localism Act. The Council agreed its 2012/13 statement in March 2013 which is available to employees through the intranet and to the public through the internet.
34. The Council approved revisions to the Constitution in March 2012; Article 2 refers to the roles and functions of elected Members while Article 12 refers to the roles and responsibilities of the statutory officers.
35. The Council also approved a revised Code of Conduct for all employees on the 26th March 2012 and was revised again in December 2012, providing additional information on roles and responsibilities.
36. The Council designated the Borough Solicitor as Monitoring Officer. The Monitoring Officer function is to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer must report to the Council, after consulting with the Head of Paid Service (Chief Executive) and Director of Resources (section 151 officer), if any proposal, decision or omission would give rise to unlawfulness or maladministration.
37. To ensure compliance with the Financial Procedure Rules set out in the constitution, the Council has designated the Director of Resources as Chief Finance Officer, in accordance with Section 151 of the Local Government Act 1972. The role is supported through a robust system of financial management. This

officer is a key member of the Leadership Team, helping it to develop and implement the authority's strategic objectives ensuring alignment with the authority's financial strategy

38. The Executive Board and the Senior Leadership Team have clear terms of reference and provide guidance and advice to Members on policy options and implications. All public reports identify options, the financial, legal and HR implications as well as any risks associated with the issue.
39. The Council's internal audit function is provided by Audit Cotswolds which reports to the Council's Audit Committee. In September 2009 the Audit & Assurance Services for Cheltenham Borough Council entered into a partnership with the Internal Audit Services at Cotswold District Council. This was expanded in 2010 to include West Oxfordshire District Council. Audit Cotswolds is managed by a Partnership Board with its own Terms of Reference through a Section 101 Agreement and representatives from each authority.
40. The Audit Cotswolds partnership is managed by the Head of Internal Audit whose role has been defined in the S101 and a job description; both of which help to ensure the CIPFA 'Role of the Head of Audit' standard is delivered as set out below:
 - 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
 - Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control
 - 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
 - Must be professionally qualified and suitably experienced
41. Annually the Head of Internal Audit produces a report summarising the work of Internal Audit (IA) and gives an overall opinion on the level of internal control that exists within the systems audited.
42. The Council has a Corporate Governance Group with agreed Terms of Reference and is chaired by the Chief Executive. It reviews the effectiveness of the Council's internal controls and reports the results to the Audit Committee.
43. From October 2012 the external audit function was provided by Grant Thornton who were appointed by the Audit Commission to replace KPMG. In September 2012 KPMG published its report to those charged with governance (ISA 260) where they confirmed that the wording of the 2011/12 Annual Governance Statement accords with their understanding;
 - *that it complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE in June 2007; and*
 - *that it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.*
44. The Council has a treasury management panel with cross party support from Members that oversees the Council's Treasury Management Strategy and an

Asset Management Working Group that oversees the way in which the Council manages its property assets in line with the Medium Term Financial Strategy.

45. The Council's policies are easily accessible to employees and Members on the intranet and they are also provided with update/briefing seminars as appropriate.

Principle 3 - Promoting the values of the Council and demonstrating the values of good governance through behaviour.

46. In 2004 the Council adopted a series of nine values that underpin everything it does; these are promoted to staff and Members on the intranet and were incorporated into the Council's competency framework which forms part of the annual appraisal of employees.
47. The CCG (explain what this is) was reviewed in March 2012 and a revised code was approved by the Audit Committee in March 2012. This code is the Council's Internal Control Framework and clearly sets the aspirations of the Council in ensuring that there are effective governance arrangements.
48. All Members and officers are subject to codes of conduct and periodically training sessions are held. A wide range of training was made available to all Members following the May elections in 2012. This included Code of Conduct and Standards, introduction to planning, introduction to licensing, risk management and what is meant by being a commissioning Council.
49. Members and officers must declare any interests and registers of such declarations are maintained by Democratic Services and HR respectively. The Council's Monitoring Officer is responsible for ensuring that reported breaches of the Code of Members' Conduct are investigated appropriately. The Code of Members' Conduct was reviewed in June 2012 in the light of the abolition of the national standards framework.
50. The Chief Executive, members of the Senior Leadership Team and the Corporate Governance Group routinely promote good governance messages to employees and elected Members via email and the intranet.
51. The Council's Whistle Blowing Policy was revised in August 2010 and its Anti-Fraud and Anti-Corruption Policy was replaced by the Counter Corruption and Fraud Policy in September to align them to the requirements of the new Bribery Act and the working arrangements of the Audit Cotswolds. These documents are available to the public on the Council web site, and accessible to Members and employees from the intranet site.
52. There is a competency framework for its employees who are assessed through the annual appraisal process and these competencies reflect the core values of the Council which underpin good governance arrangements.
53. Certain Members are appointed to represent the Council on outside bodies i.e. companies, charities and unincorporated associations. The Council's Constitution includes guidance to officers and Members who take an active part in these organisations.
54. This guidance was reviewed and updated to reflect best practice and changes to the CBC Code of Members' Conduct. The Guidance includes a checklist of issues

that should be considered in the event of being nominated to an outside body. Members and officers that sit on the boards of companies are expected to be trained in line with the guidance specified within the UK Corporate Governance Code.

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

55. In December 2010 the Council, as required by legislation, adopted new executive arrangements based on the new style strong leader and Cabinet model to take effect from May 2012. As the Council already operated executive style arrangements the main differences with the new model is that the Leader is appointed for a 4 year term (subject to removal by Council) and must appoint a deputy leader.
56. Prior to May 2012 there were three overview and scrutiny committees that held the Cabinet to account. A review involving officers and Members took place during 2011/12 to consider the work of these committees, following this review Council agreed in December 2011 that the new arrangements should be centred on a single overview and scrutiny committee supported by task and finish groups from May 2012.
57. Arrangements are in place for publishing all Council committees' agendas and minutes.
58. The Council has embraced the government's transparency agenda and regularly publishes information on spending, contracts, senior officer roles and responsibilities together with their salaries.
59. The Council has agreed data sharing protocols with GO shared service, Ubico and the Gloucestershire Joint Waste Partnership, which allows for the sharing of data between the organisations and provides arrangements for making sure that it remains secure.
60. The Council has a complaints and comments system for members of the public. Complainants may also refer matters to the Local Government Ombudsman for investigation once they have been through the Council's complaint system.
61. In July 2010, the Council agreed and published guidance and procedures for the way in which it deals with petitions from members of the public which may include a debate at Council or the matter being considered by Overview And Scrutiny Committee.
62. The Council has a performance monitoring system which provides up to date information as to how the Council is performing against a number of performance measures and milestones, including those set out in the Corporate Strategy and action plan.
63. The Audit Committee annually review the Corporate Risk Management Policy and a report on the risk management activities that have taken place during the year.
64. The Senior Leadership Team are responsible for the management of the corporate risk process, including the identification of risks, mitigating actions, deadlines and the details of the responsible officers. These are updated and reported to them on a monthly basis. Divisional risks are the responsibility of Directors and individual

- service managers. Any divisional risk that has corporate implications and scores 16 or over is escalated to the Senior Leadership Team for consideration.
65. The Information Management Group reviewed a range of policies including Data Quality and Record Management Policy. The Council put in place Data sharing Protocols that reflect partnership working and the sharing (where appropriate) of information with other organisations.
66. Internal audit reviewed the 2011/12 Annual Assurance process in May 2012; the outcome of which was used to improve the review for 2012-13.
67. Cheltenham Borough Council's budget is set annually and agreed by Council. Monitoring reports are presented to Cabinet and an Outturn Report and Annual Statement Of Accounts is approved by the Audit Committee.

Principle 5 - Developing the capacity and capability of Members and officers to be effective.

68. All Members were offered training across a whole range of subjects following the May 2012 elections this included Risk management, corporate governance and the Code of Conduct and Standards and what is meant by being a commissioning Council. Members also have access to the Learning Gateway and can attend any training course that is currently being offered to employees.
69. Officer learning and development needs are identified through the appraisal process and 1-2-1s and fed into the professional and corporate training programmes.
70. In addition to supporting delivery of the Council's Corporate Strategy during 2012-13 the Chief Executive Officer introduced the Cheltenham Futures programme to build on the progress of commissioning services from external providers.
71. This programme comprises of three work streams, one of which considers the council's performance and organisational culture. This includes culture, pay and reward. Work on culture and behaviours (review of competencies) is underway, linked to appraisal as is work on how best to ensure that pay and conditions continue to attract, retain and reward employees of Cheltenham Council of the future.
72. The other two themes to the strategic based Futures programme are;
1. Direct Council Provision/Unified Management
 - To provide for the management of services currently part of Wellbeing and Culture but not part of the Leisure and Culture review
 - To place all direct provision under a single senior manager on an interim basis to facilitate rationalisation and restructuring
 - To deliver efficiency savings in 2013/14
 - To establish a permanent service structure.
 2. Central Services
 - To take early steps to 'right size' the Resources and Commissioning divisions to meet future Council requirements
 - To introduce service failure scenario and risk planning
 - To prepare for the amalgamation of the Resources and Commissioning divisions.

73. The programme will create a Council whose function, form and culture is being adapted to the strategic and operational needs of its customers and of a commissioning organisation.

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability

74. Cheltenham Borough Council through the Cabinet is accountable for allocating resources. There are a range checks and systems in place to provide assurance that they achieve value for money.

75. Councillors have to make judgements about what ‘value for money’ means in local terms and where available resources need to be allocated to match what their communities need. These decisions are based on a range of information including consultation exercises and advice from officers.

76. Cheltenham Borough Council engages with local residents via a number of different mechanisms; council officers and elected members attend regular meetings of the 14 neighbourhood co-ordination groups where local priorities for action are agreed by local residents, the council also supports and engages with 11 “Friends of...” groups, plus resident associations, trader associations and PACT (Partners and Communities Together) groups. The council also supports and engages with communities of interest via groups such as the Cheltenham Pensioners Forum and the Sahara Saheli women’s group.

77. Cheltenham Borough Council engages with stakeholders who represent the local community and with the key service providers through the well established Cheltenham Partnership whose vision is that;

“All people in Cheltenham are able to live happy, successful and productive lives in strong, resilient and healthy communities”.

78. The Council contributes towards providing strategic leadership for Cheltenham through the partnership structures, ensuring that we use our resources carefully to make the greatest difference to people’s lives through aligning our commissioning arrangements.

79. The three main elements of the structure are:

- **Positive Participation Partnership**
- **Positive Lives Partnership**
- **Strategic Leadership Group**

80. The Cheltenham Partnership has agreed an Action Plan which identifies the most-pressing issues for partnership activity. It also identifies where there is a willingness from partners to work collectively on solutions and where there is alignment with priorities set at a county level e.g. by the Police and Crime Commissioner, the Health and Wellbeing Board, the Children’s Partnership and the Local Enterprise Partnership.

81. The Council’s Corporate Strategy Action Plan includes specific commitments to support the delivery of these priorities.

82. The Council has an established web site which provides access to 14 of its services online, which was accessed 9639 times during the year to tell us about issues of concern. We took steps to improve the interactive nature of the website by developing systems that allow improved access to Council services and information. All of the Council's committee meetings have their agendas, minutes and supporting papers published on the website.

Delivery of services and outcomes through third parties

83. The legal services function is delivered through a Section 101 Agreement with Tewkesbury Borough Council who are the lead authority for One Legal. The effectiveness of the governance arrangements of One Legal are monitored on a regular basis through a number of means including; One Legal management team meetings and a Joint Monitoring liaison Group.
84. The Council formed a partnership with Cotswold District Council for the delivery of environment services using the Local Authority Company governance framework; the company is called Ubico Ltd. There is potential for other local authorities to join in the future. This will provide the opportunity for improving outcomes and value for money within the wider partnership area. This approach provided the first step towards joined up waste services across Gloucestershire.
85. Ubico has its own internal control procedures and arrangements which are subject to internal and external audit. Annually, Audit Cotswolds review elements of the control procedures and report on the adequacy of arrangements. The company is overseen by a board of directors.
86. In October 2012 the Council agreed with Cotswold District Council, Forest of Dean District Council and Gloucestershire County Council to form the Gloucestershire Joint Waste Committee from the 1st April 2013.
87. Cheltenham Borough Council's Cabinet agreed in July 2011 to partner with three other councils, West Oxford DC, Forest of Dean DC, and Cotswold DC - to implement a new shared service called the GO shared service covering Finance, Procurement, Human Resources and Payroll. Employees involved in the provision of these services transferred (TUPE) into the employment of Cotswold District Council (as the employing council) from April 2012.
88. The Financial Rules were reviewed in co-ordination with the GO Partnership and approved by Council in October 2011. The new Rules allow greater conformity across the partnership organisations when processing work or customer accounts. Also, the Contract Rules were reviewed on the same basis and approved by Council in March 2012. Both sets of Rules took effect 1st April 2012.
89. The Council's internal audit function is provided by Audit Cotswolds which reports to the Council's Audit Committee. The Head of Audit Cotswolds is responsible for the Councils internal audit arrangements, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion.
90. The Council delivers its housing management responsibilities through Cheltenham Borough Homes (CBH) an 'arms length management organisation' and wholly owned company of the Council. CBH has its own internal control procedures and arrangements which are subject to internal and external audit (as well as independent inspection). Annually, Audit Cotswolds review elements of the control

procedures and report on the adequacy of arrangements. The company is overseen by a board of directors which includes tenants and has an Audit and Risk Committee.

91. The Building Control Service was formed with Tewkesbury Borough council during November 2009 under the governance framework of a Section 101 Agreement for a 10 year period. There is a Joint Monitoring and Liaison Group made up of representatives from both authorities who monitor and manage the operational delivery of the service and any complaints.
92. The Council is a 50% shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the Companies Act. There is a board of directors which monitors the company's performance and is responsible for internal control activities. The airport has a Board of Directors including a Managing Director and Head of Operations. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and shareholders; they are approved at the AGM. The Council's Director of Resources or designated representative receives regular management accounts for the airport, and either he or the Executive Director or their designated representative, attends the monthly airport programme board meetings.
93. Gloucestershire Airport hosts an Airport Consultative Committee whose purpose is to foster and maintain the best possible relations with local communities and other interest groups, including the shareholders. The committee has agreed terms of reference that include the contribution of the airport to the local, regional and national economy.
94. The Localism Act 2011 provides for a Community Right to Challenge and for a Community Right to Bid. The Council has published a process that allows eligible groups to express an interest in bidding to run a particular Council service. The Council has also published a process on the Community Right To Bid which aims to give community and voluntary sector groups, charities, parish and town Councils a right to identify a property that is believed to be of value to their social interests or social wellbeing and gives them a fair chance to make a bid to buy the property on the open market if the property owner decides to sell.

Review of effectiveness

95. Cheltenham Borough Council has responsibility under The Accounts and Audit (England) Regulations 2011 for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control and the arrangements for the management of risk. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Audit Cotswolds annual opinion report and also by comments made by the external auditors and other review agencies and inspectorates.
96. The effectiveness of the governance framework draws on evidence from:
 - Internal and external audit and inspection
 - Financial controls
 - Risk and performance management
 - Assurance statements from each division
 - Legal standards

➤ Code of corporate governance.

97. The Council has an approved CCG and it has established a Corporate Governance Group which oversees the review of the effectiveness of the CCG governance and internal control. All executive directors and directors have to complete an Annual Statement of Assurance which outlines the key control areas to which the division should comply.
98. There were 45 areas of control considered by each of the 4 Directors (resulting in 180 comments), of which 138 were deemed to have been 'Met', 37 were 'Partial', 1 'Not Met' and 4 were regarded as being not applicable. This compared favourably with the previous year, however, there were 3 control areas where non or partial compliant issues identified within the context of the review,

2012/13	2012/13	2011/12
138	77%	75%
37	21%	20%
1	1%	3%
4	2%	2%
180	100%	100%

99. **Risk Management;** identifies planning for business continuity and disaster recovery as an area of partial compliance by all 4 directors. This was identified as a corporate risk last year and remains on the register with a score of 12. These issues are being addressed by the ICT shared service through a separate action plan that also addresses additional recommendations from the Internal Audit report on a virus attack. These issues remain on to the Significant Issues Action Plan and the Corporate Risk Register.
100. **Equalities;** This area of the review identified a high number of partial compliance issues and one submission of not being able to meet the corporate objective of being able to promote equality and diversity. It is considered that this response may be due in part to the need for an updated Equality Policy. The Senior Leadership Team recognised that this was an on-going issue and that legislation and guidance had recently changed and asked the Director of Commissioning to review the policy and guidance and provide additional training. SLT's view is that this is not considered to be a significant issue and will be monitored through the Corporate Risk Register
101. **Staffing;** Employees currently receive training to meet the legislative requirements of the Children's Act 1989 and 2004 and the council's policy as set out in the Safeguarding Children and Vulnerable Adults Handbook as approved at cabinet in March 2013. The training is provided by a number of different external and internal training providers including Gloucestershire County Council.
102. The council's policy states that the successful completion of safeguarding training must be recorded on the Learning Gateway by the person who has undertaken the training. The level of training needed by each member of staff will be inputted into the gateway by the Learning and Development Team using information provided by Human Resources and service managers. The learning gateway will be used to monitor up take of training and produce reports for Senior Leadership Team.
103. All employees, casual staff, volunteers and elected members are now asked to acknowledge that they have read and understood the Safeguarding Children and

Vulnerable Adults Handbook when they first begin undertaking duties on behalf of the Council.

104. Both the registering of training and acknowledging the understanding of the Safeguarding Children and Vulnerable Adults Handbook via the learning gateway have been placed on the Action Plan for monitoring.
105. The staffing section of the review also highlighted the need for consideration to be given to readily available management information in respect of the recording of internal declarations, training requirements, what had been delivered and what refresher training was still required.
106. In addition to the internal review, additional assurance checks were made with Client Officers in respect of compliance with agreements with Ubico, Cheltenham Borough Homes, Building Control Partnership and Gloucestershire Airport Ltd. These will all help inform the work of Audit Cotswolds during 2013-14.
107. The outcome of these external reviews were that the;
- Director of Commissioning was asked to review of the effectiveness of internal controls In respect of the services delivered to Cheltenham Borough Council by Ubico Ltd. There were no new significant issues of concern.
 - Director of Commissioning who is the client officer was asked to review of the effectiveness of internal controls In respect of the services delivered to Cheltenham Borough Council by CBH. There were no significant issues of concern.
 - Director of Built Environment who is the client officer was asked to review of the effectiveness of internal controls In respect of the services delivered by the Cheltenham and Tewkesbury Building Control Service. There were no significant issues of concern.
 - Executive Director who is the client officer was asked to review of the effectiveness of internal controls In respect of the Gloucestershire Airport. There were no significant issues of concern.
108. The Finance and HR functions are delivered through the Go Shared Service, Cotswold District Council is the lead authority. The Internal Audit function is provided through the Audit Cotswolds partnership, Cotswold District Council is again the lead authority and will need to comply with their Code of Corporate Governance to meet the requirements of regulation 4(3) and (4) of The Accounts and Audit (England) Regulations 2011 in relation to the publication of their Annual Governance Statement.
109. A copy of Cotswold District Council assurance statements for these services has been requested, together with the details of any significant issues that they identify. If there are any issues that affect this Council's internal controls and statutory obligations they will be reported to Audit Committee for inclusion on the Significant Issues Action Plan.
110. The Legal services function is delivered through a Section 101 Agreement with Tewkesbury Borough Council which is the lead authority for One Legal. The effectiveness of the governance arrangements of One Legal are monitored on a regular basis through a number of means including; One Legal management team

meetings, Head of Legal Services attending Cheltenham's Senior Leadership Team, periodic meetings with Cheltenham's Client Officer and formal reporting to the JMLG. JMLG meetings have taken place on 6 July 2012, 8 November 2012 and 21 February 2013. The Head Legal Service meets on a routine basis with the Clint officer to discuss performance and operational issues. In addition, One Legal also formally report quarterly on business and financial performance through Tewkesbury's performance management framework.

111. An assurance review of the One Legal service was carried out on behalf of Tewkesbury Borough Council by the Borough Solicitor - One Legal Lead Officer. A copy of the Assurance Statement 2012/13 was provided to Cheltenham Borough Council which stated that the governance arrangements were operating effectively within One Legal. Improvements to the service had been identified but were not considered to be significant governance issues.
112. The Corporate Governance Group reviews the statements and any issues highlighted by the check lists to identify any significant issues that need to be reflected in the Significant Issues Action Plan. Individual Directors are expected to take forward any specific control improvements within their own service plan. These certificates along with evidence from other sources such as audit letters, internal audit reports, corporate controls and the Code Of Corporate Governance are reviewed by the Director of Resources, Head of Audit Cotswolds and the Governance, Risk and Compliance officer who identify control issues to be included in the annual governance Significant Issues Action Plan for the forthcoming year.
113. The Audit Committee considers the Annual Governance Statement as part of the Statement of Accounts and makes recommendations to Council regarding its approval. The Audit Committee are then responsible for monitoring progress against the actions proposed or taken, to deal with the identified significant issues.
114. Although internal control procedures are the responsibility of officers, major service issues, budgets and risks are discussed with the relevant Cabinet Member. There is also a Cabinet Member who has responsibility within their portfolio for corporate governance, internal audit and risk. Regular briefings are held by Directors with that Cabinet Member so that they are aware of any issues.
115. The Head of Audit Cotswolds Annual Audit Opinion identified that overall there is a satisfactory opinion for the internal controls in operation at Cheltenham BC. However, this is set against a considerable change to key financial services (the GO Shared Service). This service received some limited assurance reports for 2012/13 as detailed in his report. Furthermore, there was an investigation into ICT issues in the year that identified several control weaknesses that have been detailed in an action plan which is to be monitored by the Audit Committee.

Significant governance issues

The Senior Leadership Team and the Audit Committee have been advised on the implications of the result of the review of the effectiveness of the governance framework identified in the previous section of this statement, and an action plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Issues Action Plan

Significant Issues Action Plan – Review 1st March 2014

Control issue and source	Action	Deadline as per AGS	Action planned	Lead officer
Business Continuity Testing	To review, develop and test ICT Business Continuity Plan to ensure that it is robust enough to mitigate the identified risks for the Council and its partner organisations	March 2014	Deliver ICT Business Continuity back up arrangements through ICT shared service with FoDDC that have been tried and tested.	Director of Resources
Safeguarding Children and Vulnerable Adults	<ol style="list-style-type: none"> 1. Review of operational processes related to maintaining a register which identifies the training needs that relate to child protection and safeguarding for each appropriate post in the Council. 2. Hold a register of acknowledgements from all employees, casual staff, volunteers and elected members that they have read and understood the Safeguarding Children and Vulnerable 		The Learning and organisational Development Team will upload the suitable declarations to the Learning gateway and the appropriate declaration for the 'level' of training needed by each member of staff will be added to their development plans by the service manager	Strategy and Engagement Manager

Control issue and source	Action	Deadline as per AGS	Action planned	Lead officer
	Adults handbook.			
GO Shared Services	There were limited assurance reports issued for key systems within the GO Shared Service. Action Plans to address these weaknesses have been created.		A follow-up review will be conducted by Internal Audit in 2013/14 as part of the annual review work. Progress will be managed by the Client Officer Group and any issues relating to Cheltenham will be reported to Audit Committee during the current year	GO Shared Services
ICT Service	There was an investigation into weaknesses in the control framework in ICT which was reported to Audit Committee. An action plan to address these weaknesses has been created.		The Audit Committee will be reviewing the Action Plan every six months until complete.	ICT Service

Significant governance issues

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: On behalf of Cheltenham Borough Council

Leader of Council

Chief Executive

.....
Councillor Steve Jordan

.....
Andrew North

**Cheltenham Borough Council
Audit Committee – 19th June 2013
Revised Code of Corporate Governance**

Accountable member	Councillor Steve Jordan - Leader of the Council
Accountable officer	Mark Sheldon - Director of Resources
Accountable scrutiny committee	Overview and Scrutiny
Ward(s) affected	None
Key Decision	No
Executive summary	The Council has a Code of Corporate Governance (the Code) that is based upon a SOLACE and CIPFA model, there is a requirement to review it on a regular basis to ensure that it remains up to date and relevant then approved by Members. This year the review was undertaken by the Corporate Governance Group.
Recommendations	I recommend that: The committee consider the Code, suggest any further changes that they feel are appropriate and approve for use during 2013-14.

Financial implications	<p>Good corporate governance arrangements assist in protecting both the Councils and taxpayer's assets from financial loss. The policy continues to demonstrate that the Council ensures that this is an important principle embedded in the organisation. There are no specific financial implications arising from this report.</p> <p>Contact officer: Mark Sheldon</p> <p>Email: mark.sheldon@cheltenham.gov.uk Tel: 01242 264123</p>
Legal implications	<p>The Statutory context for the Code of Corporate Governance is as set out in the report there are no other legal implications arising from the recommendations</p> <p>Contact officer: Peter Lewis</p> <p>Email; Peter.lewis@tewkesbury.gov.uk</p> <p>Tel. 01684 272012</p>

HR implications (including learning and organisational development)	<p>The HR/L&OD team need to ensure that adequate training is provided to relevant Members, Officers and employees on the revised Code of Corporate Governance to ensure compliance and embedding within the organisation.</p> <p>Contact officer: Donna Sheffield</p> <p>Email: donna.sheffield@cheltenham.gov.uk Tel: 01242 774972</p>
Key risks	<p>If the code of Corporate Governance is not kept up to date then there is a risk that we will not meet policy and legislative requirements</p> <p>If the Council does not maintain a robust governance framework then there is an increased risk to it not doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner</p> <p>If the Council does not have an effective governance framework then there is an increased risk of error, fraud and corruption. A risk template is attached at appendix 1.</p>
Corporate and community plan Implications	<p>Effective corporate governance supports the councils Corporate Strategy, MTFS and partnership working arrangements.</p>
Environmental and climate change implications	<p>None</p>

1. Background

- 1.1** The current Code of Corporate Governance was approved by the Audit Committee in March 2012, this report informs the Audit Committee of the proposed revisions and asks members to make further consideration so that any additional suggestions can be included. The draft Code is included at appendix 2.

Role of the Code of Corporate Governance

- 1.2** The Code of Corporate Governance is a public statement setting out the governance standards the Council will meet to ensure it is doing the right things, in the right way and operating in an inclusive, open, honest and accountable manner. It provides the organisation and internal and external auditors with assurance that the Council's governance standards are fit for purpose and up to date.
- 1.3** The Code sets out the Council's standards relating to internal audit, financial control, responding to external audit recommendations, recommendations from formal inspections, and maintaining the internal control environment. The Code also sets out the role of Audit Committee and other committees in providing democratic oversight of the Council's governance arrangements.
- 1.4** Local authorities are required under the Accounts and Audit (England) Regulations 2011 to prepare an Annual Governance Statement. CIPFA, the Chartered Institute of Public Finance and Accountancy, have produced a local framework entitled 'Delivering Good Governance in Local Government' which recommends both that local authorities produce and maintain a local code of governance and that their annual governance statement reports on the extent to which the code has been complied with. The Council's Code of Corporate Governance is based on the six core principles of the framework, these being:

- Principle 1 - Focusing on the purpose of the Council and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.
- Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Principle 3 - Promoting the values of the Council and demonstrating the values of good governance through behaviour.
- Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Principle 5 - Developing the capacity and capability of Members and officers to be effective.
- Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.

1.5 The Code of Corporate Governance was considered by the Corporate Governance Group on the 16th May 2013. The Code has been revised to reflect the comments from the Corporate Governance Group and it is attached as appendix 2 to this report.

Reviewing the Code of Corporate Governance

1.6 CIPFA urges local authorities to ensure their Code of Corporate Governance remains up to date. Since the last refresh of the Code the local government landscape has shifted considerably leading to many new governance issues, for which it is important that the organisation sets out its standards. These include the provisions of the Localism Act 2011, the government's data transparency agenda and the growing awareness of the importance of protecting information.

1.7 In December 2012 CIPFA published a new guidance note for Local Authorities on delivering good governance. The note draws attention to new governance issues, describes how their governance framework should be adhered to following the changes to local government, and includes examples of good governance practices amongst local authorities in responding to these issues. The draft Code of Corporate Governance takes these issues into account.

1.8 The document refers to the Council's controls in a number of governance areas which have arisen since the publication of the last Code, these include:

- Cheltenham Borough Local Plan 2nd Review 2006 (under review)
- Developing of the Community Right to Challenge Plan and the Community Right to Bid and provisions in relation to Neighbourhood Planning under the Localism Act 2011.
- Changes to the Standards regime, including the adoption of a Standards Committee
- Policies regarding data protection and protecting information
- Commitments to publish data including supplier transactions over £500, contracts register, pay policy statement and organisational structure.

2. Reasons for recommendations

2.1 The Code of Corporate Governance should be up to date and as relevant as possible with the approval of Members.

3. Alternative options considered

3.1 None.

4. Consultation and feedback

4.1 Senior officers involved in the development of commissioning and the delivery of the requirements of the Localism Act have been consulted and their views have been fully reflected in the revisions made. The Corporate Governance Group and the Senior Leadership Team have also been consulted.

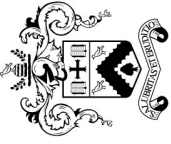
5. Performance management – monitoring and review

5.1 An Annual Governance Statement reflecting the effectiveness of the current governance arrangements as defined within the Code will be reported to the Audit Committee and to Council in June 2013.

Report author	Contact officer: Bryan Parsons Email: bryan.parsons@cheltenham.gov.uk Tel: 01242 264189
Appendices	1. Report Risk Template 2. The draft Code of Corporate Governance.
Background information	1. None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the code of Corporate Governance is not updated and implemented then there is a risk that we will not meet policy and legislative requirements.	Director Resources	16/06/2013	3	1	3	Reduce	Directors to ensure that any key internal Policies are maintained and used in line with the constitution, Financial Rules and Legislation .	31/03/2014	Corporate Governance, Risk and Compliance officer	No
	If the council does not maintain a robust governance framework then there is an increased risk to it not doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.	Director Resources	16/06/2013	3	1	3	Reduce	Review and revise Code of Corporate Governance	19/06/2013	Corporate Governance, Risk and Compliance officer	No
	If the council does not have an effective	Director Resources	16/06/2013	3	1	3	Reduce	Revise assurance check lists to	01/03/2014	Corporate Governance, Risk and	No

	Governance framework then there is an increased risk of error, fraud and corruption.							measure changes introduced through amendments to the constitution and report within the 2012/13 annual governance statement		Compliance officer	
--	--	--	--	--	--	--	--	---	--	--------------------	--



CHELTENHAM

BOROUGH COUNCIL

Code of Corporate Governance

Audit Committee Approved Version June 2013

1. Introduction

1.1 Cheltenham Borough Council is committed to the principles of good corporate governance. The Council demonstrates many aspects of best practice which it aims to strengthen through the adoption of this Code.

1.2 Governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

1.3 Governance comprises the systems and processes and the cultures and values by which organisations are directed and controlled. In the case of local government, this includes the way Councils account to and engage with and lead their communities.

1.4 Governance is also about having a system of Internal Controls that reflects an organisations ability to be flexible, confident, forward thinking and capable of pro-actively re-acting to new challenges and risks.

1.5 The purpose of this code is to demonstrate that the Council is complying with the framework recommended by CIPFA/SOLACE. It identifies its key internal policies and procedures that provide the Council with a framework to meet the 6 principles of good corporate governance:

The core governance principles of the Council are:-

1. focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. developing the capacity and capability of members and officers to be effective; and
6. engaging with local people and other stakeholders to ensure robust public accountability

2. Compliance with the Six Principles

Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

To support the requirements of this principle the Council is committed to undertaking the following:-

<p>In order to exercise strategic leadership the Council will:-</p> <ul style="list-style-type: none"> • Develop and promote the authority's ambition, key priorities and values. • Review on a regular basis the authority's ambition for the local area and its impact on the authority's governance arrangements. • Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties. • Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance. 	<p>This will be achieved through:-</p>
	<ul style="list-style-type: none"> ➤ Corporate Strategy and annual action plan ➤ People and Organisation Development Strategy ➤ Annual Performance Report ➤ Partnership annual action plan
<p>In order to ensure users receive quality services whether directly, in partnership or by commissioning the Council will:-</p>	<p>This will be achieved through:-</p>

<ul style="list-style-type: none"> • Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available. • Put in place effective arrangements to identify and deal with failure in service delivery. 	<ul style="list-style-type: none"> ➤ Corporate Strategy and annual action plan ➤ Commissioning Protocol ➤ Annual Performance Report and quarterly updates to SLT ➤ Appropriate governance frameworks i.e. Limited company, trust or mutual ➤ Effective client management arrangements
<p>In order to ensure the Council makes best use of resources and that taxpayers and service users receive excellent value for money the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Decide how value for money is to be measured and make sure that the authority or any partnership arrangements which the authority has made, has the information needed to review value for money and performance effectively. • Measure the environmental impact of policies, plans and decisions. 	<ul style="list-style-type: none"> ➤ Procurement Strategy ➤ Medium Term Financial Plan ➤ Corporate strategy objective for the ?

Principle 2 - Members and officers working together to achieve a common purpose with clearly defined functions and roles

To support the requirements of this principle the Council is committed to undertaking the following:-

<p>In order to ensure effective leadership throughout the organisation the Council will: -</p>	<p>This will be achieved through:-</p>
---	---

<ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of Members both in terms of committee and individual responsibilities and the authority's approach towards putting this into practice. • Set out a clear statement of the respective roles and responsibilities of senior officers. • Establish clear roles and responsibilities for the Scrutiny Committee. 	<ul style="list-style-type: none"> ➤ Local Code of Conduct for Members, Co-opted Members and Parish Council members ➤ Code of Conduct for Officers ➤ Constitution ➤ Terms of reference for Committee ➤ Protocol for Member/Officer Relations ➤ People and Organisation Development Strategy ➤ Commissioning Protocol
<p>In order to ensure a constructive working relationship exists between members and officers the Council will: -</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required. • Make the Chief Executive responsible and accountable to the authority for operational management in the role as Head of Paid Service. • Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained. • Make the Section 151 Officer responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. • Make the Monitoring Officer responsible to the authority for ensuring that agreed procedures are followed and that all applicable UK and EU statutes and regulations are complied with. 	<ul style="list-style-type: none"> ➤ Member/Officer Protocol ➤ Scheme of Delegation to Officers ➤ Constitution ➤ Terms of reference for the Head of Paid Service ➤ defined functions for the Section 151 Officer ➤ Constitution and Financial regulations ➤ Defined Functions for Monitoring Officer

<p>In order to ensure its relationships with its partners and the public are clear, the Council will:-</p>	<p>This will be achieved through:-</p> <ul style="list-style-type: none"> ➤ Member/Officer Protocol ➤ Members Allowances Scheme ➤ Terms and Conditions of Employment for employees ➤ Pay and grading framework ➤ Performance Appraisal process for employees ➤ Disciplinary and Grievance Procedures ➤ Performance Management Framework ➤ Consultation Strategy ➤ Local Development Framework ➤ Debt Management Policy (being drafted) ➤ HB/CTB Overpayments policy ➤ Commissioning Protocol
<p>• Develop protocols to ensure effective communication between members and officers in their respective roles.</p> <p>• Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective job evaluation process for officers' remuneration and a remuneration panel for members.</p> <p>• Ensure that effective mechanisms exist to monitor service delivery.</p> <p>• Ensure that its ambition, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.</p> <p>• When working in partnership ensure that members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnership and to the authority.</p>	<p>• When working in partnership:</p> <ul style="list-style-type: none"> - ensure that there is clarity about the legal status of the partnership - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.
	<ul style="list-style-type: none"> ➤ Commissioning Protocol ➤ Commissioning toolkit ➤ Legal agreements between each party

Principle 3 - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

To support the requirements of this principle the Council is committed to undertaking the following:-

<p>In order to ensure members and officers exemplify good standards of conduct the Council will:-</p>	<ul style="list-style-type: none"> • Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect • Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols • Put in place arrangements to ensure that members and staff are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice 	<ul style="list-style-type: none"> ➤ Counter-Fraud and Corruption Strategy ➤ Whistle-Blowing Policy ➤ Staff Satisfaction Surveys ➤ Local Code of Conduct for Members ➤ Code of Conduct for Officers ➤ Register of Member Interests and Gifts and Hospitality ➤ Declaration of Members interests ➤ Registers of Officers Interests and Gifts and Hospitality ➤ Equality Policy ➤ Safeguarding children and vulnerable people policy
<p>In order to ensure organisational values are put into practice the Council will:-</p>	<ul style="list-style-type: none"> • Develop and maintain, articulate and communicate corporate and leadership values both for the organisation and staff, reflecting public expectations and communicate these with members, staff, the community and partners. • Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice. • Develop and maintain an effective standards committee. 	<ul style="list-style-type: none"> ➤ Corporate values ➤ 5 year Corporate Plan ➤ Annual Action Plan ➤ Constitution ➤ Terms of Reference of the Standards Committee ➤ People and Organisation Development Strategy ➤ Organisational competencies

<ul style="list-style-type: none"> ➤ Corporate values ➤ Commissioning Protocol 	<ul style="list-style-type: none"> • Use its corporate values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority. • In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.
--	---

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

To support the requirements of this principle the Council is committed to undertaking the following:-

<p>In being rigorous and transparent about how decisions are taken the Council will:-</p> <ul style="list-style-type: none"> • Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall and the performance of any organisation which it scrutinises • Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based • Put in place arrangements to safeguard members and staff against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice. • Put in place effective transparent and accessible arrangements for dealing with complaints 	<p>This will be achieved through:-</p> <ul style="list-style-type: none"> ➤ Overview and Scrutiny Procedure Rules ➤ Agendas and Minutes ➤ Access to Information Procedure Rules ➤ Guidance on decision making and recording of decisions ➤ Registers of Member Interests and Gifts and Hospitality ➤ Register of Officer decisions ➤ Registers of Officers Interests ➤ Register of Gifts, Hospitality and sponsorship ➤ Complaints Procedures ➤ Freedom of Information ➤ Terms of Committee Reference
---	---

<p>In order to ensure the Council has good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs it will:-</p> <ul style="list-style-type: none"> • Ensure that those making decisions whether for the authority or a partnership are provided with information that is fit for the purpose, relevant, timely and gives clear explanations of technical issues and their implications. • Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately 	<p>This will be achieved through:-</p> <ul style="list-style-type: none"> ➤ Committee reporting guidelines ➤ Consultation with finance, HR and legal built into report template
<p>In order to ensure there is an effective system of risk management the Council will:-</p> <ul style="list-style-type: none"> • Ensure that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job • Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access. 	<p>This will be achieved through:-</p> <ul style="list-style-type: none"> ➤ Risk Management Policy ➤ Business Continuity Strategy ➤ Counter-Fraud and Corruption Strategy ➤ Whistle-Blowing Policy
<p>In order to use its legal powers for the full benefit of the community the Council will:-</p>	<p>This will be achieved through:-</p>

<ul style="list-style-type: none"> • Actively recognise the limits of lawful activity placed on them by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities. • Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law. • Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into its procedures and decision making processes. 	<ul style="list-style-type: none"> ➤ Constitution ➤ Corporate Strategy and annual action plan ➤ Medium Term Financial Strategy ➤ Defined functions for the Monitoring Officer
<p><u>Principle 5 - Developing the capacity and capability of members and officers to be effective</u></p> <p>To support the requirements of this principle the Council is committed to undertaking the following:-</p>	
<p>In order to make sure members and officers have the necessary skills and resources the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. • Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation. 	<ul style="list-style-type: none"> ➤ Members induction and training programme ➤ Corporate Appraisal scheme ➤ Personal Development Plans ➤ Annual Budget
<p>In order to develop the capability of people with governance responsibilities the Council will:-</p>	<p>This will be achieved through:-</p>

<ul style="list-style-type: none"> • Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively • Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed • Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and agreeing an action plan which might for example aim to address any training or development needs 	<ul style="list-style-type: none"> ➤ Commissioning Protocol ➤ Members induction and training programme ➤ Self assessments of committees effectiveness ➤ Annual Performance Report and quarterly updates to SLT ➤ Prince project methodology includes performance review ➤ Lessons learnt exercises carried out following significant projects
<p>In order to encourage new members of the authority the Council will:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority. • Ensure that support is in place for members and officers to encourage participation and development. 	<ul style="list-style-type: none"> ➤ The Cheltenham Partnership ➤ Elected Members development plan ➤ Briefing Seminars

Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability

To support the requirements of this principle the Council is committed to undertaking the following:-

<p>In order to exercise leadership through a robust scrutiny function the Council will:-</p>	<p>This will be achieved through:-</p>
---	---

<ul style="list-style-type: none"> • Make clear to all stakeholders and the community to whom it is accountable and for what. • Consider those institutional stakeholders to whom it is accountable and assess the effectiveness of the relationships and any changes required. • Produce an annual report on scrutiny function activity. 	<ul style="list-style-type: none"> ➤ Constitution ➤ Complaints Procedures ➤ Freedom of Information requests ➤ Counter –Corruption and anti fraud Policy ➤ Whistle-Blowing Policy ➤ External and Internal Audit reports ➤ Commissioning Protocol
<p>In order to take an active approach to dialogue with accountability to the community, it will ensure effective and appropriate service delivery either directly by the Council, in partnership or through commissioning by:-</p>	<p>This will be achieved through:-</p>
<ul style="list-style-type: none"> • Ensuring that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively. • Holding meetings in public unless there are good reasons for confidentiality. • Ensuring arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands. • Establishing a clear policy on the types of issues it will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result. • Publishing an annual report giving information on the authority's ambition, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period. • Ensuring that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so. 	<ul style="list-style-type: none"> ➤ Customer Services Strategy ➤ Access to Information Procedure Rules (FOI) ➤ Equality and Diversity ➤ Commissioning Protocol ➤ Annual Performance Report and quarterly updates to SLT ➤ ICT Strategy

<p>In order to make best use of human resources the Council will:-</p> <ul style="list-style-type: none"> • Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making. 	<p>This will be achieved through:-</p> <ul style="list-style-type: none"> ➤ A People and Organisational Development Strategy ➤ Policy for consultation on Health and Safety and welfare ➤ Joint consultative committee arrangements ➤ Workforce Change Protocol
---	--

3. Monitoring compliance with the framework

The Corporate Governance Group will, in line with its terms of reference consider and monitor on a regular basis any issues placed on its significant issues action plan (SIAP) to strengthen the Council's governance arrangements. Progress against the SIAP will be monitored by the Corporate Governance Group and reported to the Senior Leadership Team and the Audit Committee, which will assist in the completion of the Annual Governance Statement.

4. Annual Assurance Assessment

Although the review of the corporate governance arrangements will be an ongoing process, each year the Directors will be required to sign an Annual Governance Certificate assessing the effectiveness of their divisions corporate governance arrangements, the results of which will form the basis of the Annual Governance Statement.

The Annual Governance Statement will be agreed by the Audit Committee and then included in the Annual Report and Statement of Accounts to be agreed by full council.

The Annual Governance Statement will be informed by, and based upon the work undertaken by the Corporate Governance Group which is chaired by the Chief Executive, and attended by other senior officers including the Section 151 Officer, the Monitoring Officer and the Head of Internal Audit.

Document is Restricted

This page is intentionally left blank
Page 134