



# CHELTENHAM

## BOROUGH COUNCIL

### Notice of a meeting of Audit Committee

**Wednesday, 23 September 2015**

**6.00 pm**

**Pittville Room, Municipal Offices**

<b>Membership</b>	
<b>Councillors:</b>	Colin Hay (Chair), Chris Nelson (Vice-Chair), Matt Babbage, Flo Clucas, Dan Murch, David Prince and Pat Thornton

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

### Agenda

<b>1.</b>	<b>APOLOGIES</b>	
<b>2.</b>	<b>DECLARATIONS OF INTEREST</b>	
<b>3.</b>	<b>MINUTES OF THE LAST MEETING</b> 17 June 2015	(Pages 3 - 10)
<b>4.</b>	<b>PUBLIC QUESTIONS</b> These must be received no later than 12 noon on the fourth working day before the date of the meeting	
<b>5.</b>	<b>THE CHELTENHAM TRUST - 12 MONTH REVIEW OF GOVERNANCE ARRANGEMENTS</b> Gill Morris, Client Officer – see recommendation	(Pages 11 - 18)
<b>6.</b>	<b>ANNUAL GOVERNANCE STATEMENT - PROGRESS REPORT ON SAFEGUARDING OF CHILDREN AND VULNERABLE ADULTS (MAINTAINING A TRAINING AND HANDBOOK REGISTER)</b> Tracy Brown, Partnerships Team Leader – see recommendation	(Pages 19 - 22)
<b>7.</b>	<b>INTERNAL AUDIT MONITORING REPORT</b> Rob Milford, Audit Partnership Manager – see recommendation	(Pages 23 - 32)
<b>8.</b>	<b>AUDIT HIGHLIGHTS MEMORANDUM ISA 260 (2014-15) AND FINANCIAL RESILIENCE (2015-16)</b> Grant Thornton (to note)	(Pages 33 - 68)
<b>9.</b>	<b>STATEMENT OF ACCOUNTS 2014-15</b>	(Pages

		Sarah Didcote, Deputy Section 151 Officer - see recommendation	69 - 76)
<b>10.</b>		<b>WORK PROGRAMME</b>	(Pages 77 - 80)
<b>11.</b>		<b>ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	
<b>12.</b>		<p><b>LOCAL GOVERNMENT ACT 1972 -EXEMPT INFORMATION</b>  <b>The Council is recommended to approve the following resolution:-</b></p> <p>“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 ?, Part (1) Schedule (12A) Local Government Act 1972, namely:</p> <p>Paragraph 5; Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings</p>	
<b>13.</b>		<p><b>ANNUAL GOVERNANCE STATEMENT SIGNIFICANT ISSUE ACTION PLAN - PROGRESS REPORT ON CAR PARKING (MANAGEMENT OF THE CAR PARKING SERVICES IMPACTING ON INCOME AND OPERATIONAL EFFECTIVENESS)</b>  Update by Mike Redman, Director of Environmental and Regulatory Services</p>	(Pages 81 - 116)
<b>14.</b>		<b>DATE OF NEXT MEETING</b> 13 January 2016	
		briefing notes (for information only)	
		<ul style="list-style-type: none"> <li>• Matters arising from last meeting</li> </ul>	

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### Audit Committee

**Wednesday, 17th June, 2015  
6.00 - 8.10 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Colin Hay (Chair), Chris Nelson (Vice-Chair), Matt Babbage, Flo Clucas, David Prince and Pat Thornton
<b>Also in attendance:</b>	Andy Barge, Tracy Brown (Partnerships Team Leader), Sarah Didcote (GOSS), Rob Milford (Head of Audit Cotswolds), Jackson Murray (Grant Thornton), Andrew North (Chief Executive), Bryan Parsons (Governance, Risk and Compliance Officer), Giles Rothwell and Mark Sheldon (Director Resources)

### Minutes

**1. APOLOGIES**

Councillor Murch had given his apologies.

**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 25 March 2015 be agreed and signed as an accurate record.**

**4. PUBLIC QUESTIONS**

No public questions had been received.

**5. SECTION 151 OFFICER INTERIM ARRANGEMENTS**

The Chief Executive introduced the report as circulated with the agenda. He explained how the role of the Director of Corporate Resources had evolved over the years to require an increasing involvement in strategic issues. Essentially, to be able to deliver on key corporate projects, the current post holder needed to release some strategic capacity. Given that the role of the Section 151 Officer was likely to be considered as part of the 2020 vision partnership, with potential for different arrangements, it was being proposed that with Council agreement, the Deputy Section 151 Officer, be seconded into the role for a period of up to 18 months. This solution had been suggested by the Director of Resources and was fully supported by the Chief Executive, who felt that the current Deputy Section 151 Officer was an ideal candidate, for whom this would be an excellent opportunity.

The Deputy 151 Officer currently worked as the 151 Officer for the Forest of Dean and rather than this creating problems, would in fact increase efficiencies. It was noted that the Director of Resources would continue involvement in some financial matters, but at a corporate management level rather than Section 151 Officer level and likely maintain a watching brief over business rates.

In response to a member question the Chief Executive advised the committee that the Section 151 Officer would continue to divide his time between Cheltenham and the Forest of Dean and suggested that there would be a certain amount of flexibility on this and days on which he would be expected to be available (to attend SLT or Exec Board meetings). As was already the case, calls could be transferred to the Forest of Dean or a mobile phone and there would be a Deputy Section 151 Officer available if required. As with all officers who formed part of a shared arrangement, new approaches needed to be adopted in relation to contacting them by phone, email or in person.

Upon a vote it was unanimously

**RESOLVED that Council be recommended to designate the Deputy Section 151 Officer, in an interim seconded capacity for 18 months, to the role of Section 151 Officer.**

**6. SECTION 11 SAFEGUARDING RESPONSIBILITIES**

The Partnerships Team Leader introduced the report as circulated with the agenda. She explained that under Section 11 of the Children Act, Cheltenham Borough Council had a duty to co-operate to safeguard children. The report set out these duties and how they were being implemented at the council. It also highlighted the process for checking compliance adopted by the local Safeguarding Board. The committee were advised that since the report had been produced the annual conversation with the Chairman of the Safeguarding Board had taken place. This conversation allowed the council to raise concerns and in turn, for him to discuss any concerns he might have. She was pleased to report that he had been comfortable with how CBC fulfilled its responsibilities and felt sure that any concerns were being raised with the Board.

Gloucestershire County Council had approached the council about holding a seminar on sexual exploitation and this was likely to be arranged for some time in the Autumn. Cheltenham Safeguarding awareness weeks, from 21 September to 02 October would include campaigns to raise awareness and briefings and training sessions to which members would be welcome. It was important to note that safeguarding was changing all the time and new learning was regularly resulting in organisations such as the council, refining what they do. The Section 11 process started with a self-assessment which was referenced at 4.1 of the report and was usually due in late December. This would be followed by check and challenge, an action plan and monitoring of progress. The committee were being asked to consider whether they wished to be involved in the Section 11 process and if so, how.

The following responses were given to member questions and comments;

- The editorial issues in the document (Appendix 1) would be addressed.
- The Positive Lives Partnership regularly discussed levels of children in need and had queried the current figures as they were the lowest in the county despite us having more children than other districts.

- There was a system by which the council could challenge decisions on the level of need given by another agency if it did not agree. A recent challenge had resulted in the level having been escalated which demonstrated that the system was working. She suggested that the issue was turnover of staff and the need to ensure that all agencies were using the same 'language'.
- Safeguarding training had been arranged earlier in the year, at the request of this committee, but only 2 members had attended the morning session and 1 the evening session. Despite there being no legal requirement for the council to organise safeguarding training for members, Further sessions could be arranged but there would be a cost involved and there would be an expectation that members would attend. It would not be possible to detail specific issues within a ward.
- Most recent figures from the last quarter show that there were 35 child protection plans for Cheltenham, these related to individuals and therefore it was possible that some could be from the same family. She would have expected the figure to have been closer to 60-80 and this disparity was currently being investigated by the Partnership.
- Members were reminded that they had a legal obligation to report any concerns.
- It was possible that some elected members had undertaken safeguarding training as part of their role as School Governors.
- There were two separate Boards, one for children and one for adults. It is likely that the Adults Board would be undertaking some form of Section 11 type audit but the process had not yet been finalised.
- Internal Audit would be looking at safeguarding arrangements at the council as part of their 2015-16 work.

In terms of involvement in the section 11 process, the committee felt that they should be involved in the initial self-assessment and in reviewing progress against any actions.

Upon a vote it was unanimously

**RESOLVED that;**

- 1. The Council's responsibilities and the associated implementation of those duties, be noted by the committee.**
- 2. The committee be involved in the Section 11 process at self-assessment stage and in reviewing progress against any actions.**

### **7. ICT DISASTER RECOVERY PREPARATION AND TESTING**

Andy Barge and Giles Rothwell, introduced the report as circulated with the agenda. Andy explained that this progress report followed on from the assurance report which was considered by the committee on 26 March 2014. He explained that any recovery strategy needed to be proportionate, balancing protection and recovery costs versus the risk to the business, suggesting that if recovery was assessed as taking less than a week, that rather than initiating the ICT Disaster Recovery Plan (ITDR) the council would instead initiate a Service Business Continuity Plan (SBCP). Members were referred to part 3 of the report which set out progress that had been made in the previous 12 months. He highlighted that in March 2015 status had progressed from red and with a maturity level of 1-2, as at October 2014, to amber with a maturity level of 3. He

stressed that on the basis that a primary point of the councils ITDR framework was to balance protection and recovery costs against the risk to the business, the maximum maturity level target was 4. Paragraph 3.5 of the report set out areas of focus for the ensuing 12 months and this included finalising documentation and integration with service business continuity plans.

As a point of clarification the officers explained the difference between ITDR and SBCP, though admittedly there was a fine line between the two. As part of the framework development, a number of plans had identified that there were a number of services which could continue to be delivered without ICT. The ITDR would be initiated if a server was lost and it was not possible to get IT where it needed to be.

The Governance, Risk and Compliance Officer explained that plans were in place across the shared services which would allow for staff to relocate to different sites if necessary and that there was a number of staff who would be able to work from home. BCP was a standing item on the agenda of the Joint Security Working Group and all Service Managers would soon be contacted and asked to review their BCP and before testing was undertaken. Testing had recently been carried out with the Elections team, with staff being relocated and included a full system shut down. The data had then been tested and lessons were learned which could be applied to other service areas. Members needed to be aware that a key risk to any service was the loss of people, not just infrastructure, and as such ICT had produced step-by-step guides for various tasks.

The Director of Resources accepted that there was still some work to do but felt that good progress had been made and that the council was in a better position than it had been 12, or even 6 months ago, with the council's ability to respond to an incident far improved. He emphasised how integral investment had been in enabling this level of progress.

Officers gave the following response to member questions and comments;

- Part of the investment into IT had been used to make the system more robust by creating a ring design which meant that broken links could be bypassed.
- There were two broadband routes to Coleford from Cheltenham, one provided by BT and the other by Virgin, so should one connection be lost, there would in theory be another broadband connection that was still functioning. Most sites now had two routes.

Upon a vote it was unanimously

**RESOLVED that the report be noted.**

### **8. ANNUAL AUDIT FEE LETTER 2015-16**

Jackson Murray from Grant Thornton introduced the Audit fee letter 2015-16. He explained that the fee required to undertake the work necessary to meet their statutory responsibilities and the scale fee set by the Audit Commission, was £49,406. This represented an almost 25% reduction compared to the audit fee for 2014-15 and was a result of the procurement exercises run by the Commission across Local Government and Health sectors.

In response to a member question, Jackson Murray advised that the PSSA would now set the scale fees annually.

No decision was required, the fee was simply noted.

### **9. AUDIT COMMITTEE UPDATE**

Jackson Murray, from Grant Thornton, introduced the update report. The first section of the update detailed progress and included at the end of the report was a summary of emerging national issues and developments which might be of interest to the committee. He explained that work on the financial statements hadn't yet begun but VFM work had progressed. It was also noted that a management response had been added to each challenge question, which he hoped would help provide further assurances to members.

The following comments were made by members;

- It would be interesting to know what work had been done to assess the impact on the town if Housing Associations sold off property. The Director of Resources was confident that some form of assessment would have been made. He would make enquiries with the relevant officers and pass the information back to the committee.
- Members felt that the Rotherham briefing should be presented to all members at a Council meeting. Enquiries would be made with the relevant officers.
- CBH would be asked to look at the Build to Rent scheme, consider how it impacts Cheltenham and whether there was potential and/or will to create a private sector arm (of CBH). This information would be passed back to the committee so that they might decide whether they would like to refer it to the Overview and Scrutiny Committee to consider it as a topic for a task group.

No decision was required, so the update report was simply noted.

### **10. ANNUAL GOVERNANCE STATEMENT**

The Governance, Risk and Compliance Officer introduced the report as circulated with the agenda. He explained that the council had a statutory duty to produce an Annual Governance Statement, based on the CIPFA model, which had to be approved as part of the annual statement of accounts. The committee needed to satisfy itself that the AGS for the 2014/15 financial year fairly reflected the arrangements within the council, and that the action plan would address the significant governance issues identified by the review. He noted that this AGS was somewhat shorter than in previous years in an effort to make it a more 'high level' document with less detail. He highlighted the Art Gallery and Museum as a significant issue which had been included. Members were being asked to approve the AGS for the Chief Executive and Leader of the Council, to sign.

The Head of Audit Cotswolds took the opportunity to update members on his AG&M report, which was scheduled to be considered by the committee on 15 July 2015. He explained that he had interviewed 15 people in total and because this had included the Chief Executive and Director of Corporate Resources at

the council, the draft report had been sent to the Borough Solicitor and Monitoring Officer to check. In order to answer the question of why the overspend happened, the report included personal information and a discussion was required to establish how this should be presented; either a member briefing in advance of the meeting or on pink papers.

In response to a question, the Head of Audit Cotswolds assured members that processes were in place for the Audit Partnership to garner assurances from those responsible for auditing service/bodies to which the partnership did not have direct access (e.g. ICT at the Forest of Dean). Members felt that it would be useful to have a list of the audit arrangements for the various service/bodies listed at 13 c and d of the AGS (including the Cheltenham Development Task Force, Gloucestershire Airport and ICT). Officers would produce this as a briefing for the next meeting.

The Governance, Risk and Compliance Officer clarified that as a member of the Executive Board, the Section 151 Officer had the right to attend meetings but may only choose to do this if there were something specific on the agenda, depending on workload. He would not be expected to attend every meeting.

Paragraph 9f of the AGS would be amended so that the g of Grant Thornton would be replaced with a capital letter and the final word 'payment' would be replaced with the word 'purchase'.

In relation to appendix 3, the Significant Issues Action Plan, he recommended that the first issue be closed, as it had moved on in respect of the way that it was being managed, and would be replaced with 3 other work streams. Deadlines for the completion of these work streams was yet to be agreed, though a work planning meeting in the next month would result in deadlines being set.

Safeguarding was an issue that had featured on the plan for the last 2 years and the difficulty with this was that the training records were being held in a number of areas. The Partnership Team Leader was satisfied that enough staff were being trained but she was still awaiting assurances from GOSS Learning and Development that training needs were automatically identified and recorded as part of the recruitment process. Audit committee requested that an update on the issue be brought to committee in September by the Partnership Team Leader and the GOSS Learning and Development Manager.

There were a couple of car parking projects in progress at the moment and these were anticipated for completion by September by which time an update would be presented to the committee by the manager responsible for the car parking projects.

The Purchase Order Management System issue had been added following the Grant Thornton AG&M report and the committee were advised that almost 80% of transactions were now supported by a purchase order, with the other 20% largely for grant payments. Internal Audit would check that the system was being followed. A progress update would be scheduled for 6 months from now (January 2016).

Upon a vote it was unanimously



**RESOLVED that:**

- 1. The Annual Governance Statement be approved for inclusion in the statement of accounts and;**
- 2. The Leader and Chief Executive be recommended to sign the Annual Governance Statement.**

**11. INTERNAL AUDIT ANNUAL OPINION**

The Head of Audit Cotswolds introduced the report as circulated with the agenda. The report outlined how the Internal Audit function supported the council in meeting the requirements of Regulation 4, the Accounts and Audit Regulations 2011. It provided his opinion on the effectiveness and adequacies of internal control at the council. His opinion was based on a selection of risk-based audits carried out during the previous year and other work on control systems, including proactive work by the service as it supports control arrangements within change projects. A satisfactory assurance had been given, meaning that there was generally a sound system of internal control, designed to meet the organisations objectives, and that controls were being applied consistently. Some weaknesses in the design and/or inconsistent applications of controls had been identified, recommendations made and improvement plans agreed. It was noted that this opinion did not include any of his work on the Art Gallery and Museum and he was also pleased to report that after a long period of GO Shared Services getting limited assurance, it was now considered satisfactory and in parts High Assurance opinions given.

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

- The overall opinion had not been affected by the Grant Thornton report on the AG&M because the issue was not significant enough against the overall governance arrangements of the council.
- Audit Cotswolds had been appointed as the Auditor for 2020 vision. They would be working across all four councils to ensure that they were each approaching risk in a similar vein and would be checking project reports to ensure that the team were challenging themselves sufficiently. The model was still being worked through and only once finalised could any risks be reviewed.

Upon a vote it was unanimously

**RESOLVED that the Internal Audit annual opinion, of satisfactory assurance, be noted.**

**12. COUNTER FRAUD REPORT 2014-15**

The Head of Audit Cotswolds introduced the report as circulated with the agenda. The report set out the counter-fraud and anti-corruption arrangements in the authority and detailed the results of activity for 2014-15. He reminded members of the Cabinet decision in February 2015, to retain counter fraud expertise and focus on other aspects of fraud and corruption impacting on this authority; post 1 April 2015 when the Single Fraud Investigation Service would 'go live', which would take on benefit fraud investigation work which had

historically been done by Local Government. The report also included details of the Counter Fraud Unit, which staff transferred to in April 2015 following the successful funding bid of £403k. Moving away from benefit fraud, much of the focus of the unit would be on data matching across Gloucestershire and it was likely that a number of policies at the council would need to be reviewed and amended as a result of this new approach.

As a point of clarification the Head of Audit Cotswolds explained that the unit currently consisted of 2 dedicated members of staff, managed by him directly. He stressed the need for this service to be sustainable and the £403k funding would allow for a two year period to be able to prove its sustainability.

**The report was noted.**

**13. WORK PROGRAMME**

Members noted the work plan which had been circulated with the agenda.

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

There was no urgent business.

**15. DATE OF NEXT MEETING**

The next meeting would be the extraordinary meeting on the 15 July 2015, however, the next schedule meeting of the committee would be on the 23 September 2015.

Colin Hay  
Chairman

**Cheltenham Borough Council**  
**Audit Committee – 23 September 2015**  
**The Cheltenham Trust – twelve month review of governance arrangements**

<b>Accountable member</b>	<b>Cabinet Member Healthy Lifestyles, Councillor Rowena Hay</b>
<b>Accountable officer</b>	<b>Deputy Chief Executive, Pat Pratley</b>
<b>Executive summary</b>	<p>The Cheltenham Trust is responsible for delivering leisure and culture services and for the operational management of a number of Council buildings. A management agreement and specification set out what the Trust has to do and the expected standards of operation.</p> <p>Audit Committee received a presentation on the proposed governance arrangements for the Trust in June 2014, prior to the formal contract award on 1<sup>st</sup> October 2014. A commitment was made at that time to update the committee on governance arrangements after twelve months of operation. This report therefore:</p> <ul style="list-style-type: none"> <li>• sets out the governance arrangements now in place for the management of the contract;</li> <li>• the internal governance arrangements developed by the Trust, and</li> <li>• provides an assessment of the effectiveness of these governance arrangements</li> </ul>
<b>Recommendations</b>	<b>The Audit Committee considers the report and makes comment on the governance arrangements as necessary</b>

<b>Financial implications</b>	<p>None arising directly from this report.</p> <p><b>Contact officer: Nina Philippidis, Business Partner Accountant</b>  <a href="mailto:nina.philippidis@cheltenham.gov.uk">nina.philippidis@cheltenham.gov.uk</a> , 01242 264121</p>
<b>Legal implications</b>	<p>None specific arising from the report recommendation.</p> <p><b>Contact officer: Peter Lewis, Head of Legal Services, OneLegal,</b>  <a href="mailto:peter.lewis@cheltenham.gcsx.gov.uk">peter.lewis@cheltenham.gcsx.gov.uk</a>, 01684 272012</p>
<b>HR implications (including learning and organisational development)</b>	<p>No direct HR implications arising from this report.</p> <p><b>Contact officer: Julie McCarthy, HR Manager (West),</b>  <a href="mailto:julie.mccarthy@cheltenham.gcsx.gov.uk">julie.mccarthy@cheltenham.gcsx.gov.uk</a>, 01242 264355</p>

<p><b>Key risks</b></p>	<p>If the council does not have effective governance arrangements in place for the management of the contract then it will not recognise if the Trust is failing to deliver services to the standards required in the management agreement or to deliver its outcomes.</p> <p>If the Trust does not have effective internal governance arrangements in place then it may fail as an organisation and not be able to deliver the outcomes or the services to the standards required in the management agreement.</p>
<p><b>Corporate and community plan Implications</b></p>	<p>The way in which the Trust delivers the outcomes and conducts its operations has the potential to contribute to all the Council's outcomes. Ensuring good governance arrangements are in place will support the effectiveness of this contribution.</p>
<p><b>Environmental and climate change implications</b></p>	<p>None arising directly from this report.</p>
<p><b>Property/Asset Implications</b></p>	<p>There are no property implications arising from this report.</p> <p><b>Contact officer: David Roberts@cheltenham.gov.uk</b></p>

## 1. Introduction

- 1.1 Audit Committee received a presentation on the proposed governance arrangements for the Trust in June 2014, prior to the formal contract award on 1<sup>st</sup> October 2014.
- 1.2 The Trust has now been operating for almost twelve months and this report provides an update on the governance arrangements in place for the management of the contract and the internal governance arrangements developed by the Trust. It also assesses the effectiveness of the current governance arrangements.

## 2. Background

- 2.1 The Cheltenham Trust is responsible for the operational management and delivery of services of Leisure@, Prince of Wales Stadium, Cheltenham Town Hall, Wilson Art Gallery and Museum, Pittville Pump Room, Tourism and Tourist Information Centre and Sport Play and Healthy Lifestyles.
- 2.2 The Trust is independent from the Council and is set up as a charitable company limited by guarantee, which is regulated by the Charity Commission and Companies House.
- 2.3 The Trust has a management agreement with the Council for the delivery of services, which sets out what the Trust has to do and standards of practice. The agreement includes an outcomes based specification, which was developed in partnership with the Trust. The specification sets out guiding principles for the way in which the Trust and the Council will work, three cross-cutting outcomes areas and standards of operation. Client-side management of the agreement and specification sits within the Commissioning Division. The management agreement and specification have been designed to give the Trust freedom to deliver the outcomes by being innovative and using its skills, knowledge and expertise.
- 2.4 Properties occupied by the Trust are managed through individual leases with the council's

Property Services team.

### **3. Governance arrangements for management of the contract**

- 3.1** The management agreement sets out how the Council and the Trust will collaborate to ensure the contract is delivered successfully through a governance framework. The governance framework has three levels of governance.

#### **Monthly performance meetings**

- 3.2** These meetings are held between the council's client officer and the trust's relationship manager. They are informal meetings to discuss how the Trust is performing, to identify any issues or risks, to resolve these informally or, if required, to agree any matters that need escalation and to identify any changes the Trust may wish to make.

#### **Quarterly liaison group**

- 3.3** The core membership of this group is the council's authorised officer (currently the deputy chief executive) and client officer and the trust's chief executive and relationship manager. This group agrees the annual development plan and monitors effective delivery of this plan through quarterly performance reports and discussing any issues, challenges or potential risks. It also provides an early opportunity to discuss any major changes the Trust may wish to make.

#### **Partnership board**

- 3.4** The core membership of the Board is the council's cabinet lead for healthy lifestyles and authorised officer, the trust's chief executive and a trustee representative. The role of this group is to hold strategic oversight of the contract, to identify and discuss strategic development opportunities and to promote partnership working and collaboration. The Board meets every six months.
- 3.5** Both the liaison group and partnership board can be supported by relevant officers from both partners as appropriate and both can appoint sub-committees and task/finish groups if required.
- 3.6** The governance framework is subject to annual review to ensure that it provides the necessary assurances for both the Council and the Trust that the management agreement is being successfully delivered.

### **4. Council annual review of effectiveness**

- 4.1** In addition to the contract governance framework the Trust participates in the annual review of effectiveness of the council's governance framework. An assurance checklist was completed in April 2015, covering the trust's first six months of operation, and this fed into the council's 2014/15 Annual Governance Statement.
- 4.2** It was noted in the certificate of assurance that the Trust was a new organisation, which had only been in existence for six months and therefore internal controls were still being developed and embedded. A commitment was made by the council's authorised officer to review the assurance checklist with the Trust in six months' time to see what progress has been made. This review will be undertaken in the next few weeks.

### **5. Member engagement**

- 5.1** As set out above, the cabinet lead for healthy lifestyles takes an active part in the governance of

the contract.

- 5.2** A member seminar was held at the end of June for the Trust to brief all members on the first six months' of operation. Whilst Overview & Scrutiny Committee is able to call the Trust to account if required, it was felt that this format provided the opportunity for all members to hear about the work of the Trust.
- 5.3** All councillors are able to access the Trust's annual performance report and to ask questions about the Trust via the cabinet lead or the council's client officer.

## **6. Governance arrangements within the Trust**

- 6.1** As a new organisation the Trust has been developing its internal governance arrangements to comply with the Companies Act and the UK Corporate Governance Code for companies. Good governance is also a key aspect of the Trust's annual submission to the Charity Commission in line with Charity Commission guidance.
- 6.2** A governance audit was completed by AuditCotswolds during the first six months of operation and an internal audit plan developed for 2015/16.
- 6.3** A number of groups play a role in the Trust's internal governance framework:
- Board of Trustees
  - Finance & Audit Committee
  - Chairman's Sub Committee
  - Strategic Interest Groups
  - Health & Safety Committee
  - Trading Company
  - Governance Working Group

### **Board of trustees**

- 6.4** There are eleven trustees on the Board and meetings are held every two months. The role of the Board is to provide strategic direction to the organisation and hold the CEO and Executive Team to account. Trustees appointed to the Board bring a wealth of expertise and experience to the organisation, which is used to guide development of the Trust's work as well as fulfilling a key advocacy role with a wide range of partners and stakeholder organisations.
- 6.5** The Board is engaged in a mentoring programme with GO Shared Services to continue the development of trustees' skills and to clarify understanding of the roles and responsibilities of trustees in the context of the Trust.

### **Finance & audit committee**

- 6.6** This committee meets quarterly, consisting of the CEO, Finance Director and three appointed trustees. The purpose of this committee is to oversee the financial management of the Trust, including the signing off of the annual budget, the statements of accounts and end of year audit reports.

### **Chairman's sub committee**

- 6.7** This brings together the Chairs from the various committees, namely the Chair and Vice Chair of the Board and the Chairs of the Finance Committee and Capital Development Committee (established to oversee the Town Hall redevelopment project). This is a non decision making committee that meets in the intervening months between Board meetings to help progress key

work areas of the Board.

### **Strategic interest groups**

- 6.8** A number of strategic interest groups have been established:
- Social
  - Cultural
  - Economic
- 6.9** Membership of these groups is made up of the CEO, a member of the Executive Team and three trustees, and the groups aim to meet at quarterly intervals.
- 6.10** The purpose of these groups is to support the strategic direction of the Trust and to help develop the delivery plans for different parts of the organisation, utilising the particular skills and expertise brought to the organisation by individual trustees.

### **Health and safety committee**

- 6.11** Health and safety is an area the Trust recognises is of great importance not only to itself, but also to the Council and both facilities and services must comply with national health and safety legislation.
- 6.12** Staff working for the Trust operate in a public environment and a wide variety of people engage with their services including children, vulnerable adults and other vulnerable groups such as those with disabilities. The Trust must ensure that service delivery takes place in a safe environment, that staff employed by the Trust have undergone the necessary checks and that they have received all the necessary training.
- 6.13** The purpose of the health and safety committee is to have a strategic overview of health and safety across the Trust, to put in place all the necessary policies and to ensure that policies are implemented consistently across all service areas.
- 6.14** The Trust works closely with GO Shared Services to ensure health and safety policies and operational practices across the sites are robust and comply with legislation.

### **The trading company**

- 6.15** A wholly owned trading company, Cheltenham Leisure & Culture Limited, was created in July 2014 to oversee and take responsibility for a small number of trading activities that are not eligible to be undertaken through the charitable trust and to help drive growth in commercial activity. Three trustees of The Cheltenham Trust also act as directors of the trading company, with additional input looking to be incorporated through a small number of external directors in the coming months.

### **Governance working group**

- 6.16** A governance working group comprising the CEO and three trustees has recently been established and is working with GO Shared Services to further develop the governance framework.
- 6.17** The group is in the early stages of developing a Governance Handbook. The content of the Handbook is still to be agreed, but is likely to include the governance working structure, roles and responsibilities of trustees, committee chairs and directors, working as a trustee and board recruitment, development and succession planning.

**7. Effectiveness of governance arrangements**

- 7.1 The governance framework for the contract must provide the Council with sufficient assurance that the management agreement and specification are being successfully delivered. The framework provides formal channels through which to develop the partnership approach and the Council and the Trust have worked hard to develop and maintain a positive and open relationship, which ultimately supports the governance process. This formal framework is further enhanced by informal working.
- 7.2 The commissioning team believes that these arrangements deliver the assurances needed and is satisfied with the progress the Trust has made on delivering the outcomes and the services to the standards set in the management agreement and specification.
- 7.3 The Council must also assure itself that the Trust is developing as an organisation and putting the necessary structures in place to ensure good standards of practice. The activities underpinning this development are shared within the formal contract governance framework and are then tested through the council’s annual review of effectiveness. Section 6 above also demonstrates that the Trust, with support from AuditCotswolds and GO Shared Services, has been working hard in its first year of operation to develop its governance arrangements and it now has all the building blocks in place to move forward with developing a robust governance framework.

**8. Performance management – monitoring and review**

- 8.1 Governance arrangements for the contract and governance arrangements within the Trust are subject to regular review to ensure services are delivered successfully to a high standard, that outcomes are achieved and that operations comply with legislation.

<b>Report author</b>	<b>Contact officer: Gill Morris, Client Officer,</b> <a href="mailto:gill.morris@cheltenham.gov.uk">gill.morris@cheltenham.gov.uk</a> , 01242 264229
<b>Appendices</b>	1. Risk Assessment



The risk				Original risk score (impact x likelihood)			Managing risk					
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register	
	If the council does not have effective governance arrangements in place for the management of the contract then it will not recognise if the Trust is failing to deliver services to the standards required in the management agreement or to deliver its outcomes.	Pat Pratley		4	3	12	Reduce	Review the contract governance arrangements on an annual basis to ensure they are effective	Ongoing	Gill Morris	Commissioning	
	If the Trust does not have effective internal governance arrangements in place then it may fail as an organisation and not be able to deliver the outcomes or the services to the standards required in the management agreement.	Pat Pratley		4	3	12	Reduce	Monitor through the contract governance arrangements and the council's annual governance statement process	Ongoing	Gill Morris	Commissioning	
<p><b>Explanatory notes</b></p> <p><b>Impact</b> – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p><b>Likelihood</b> – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p><b>Control</b> - Either: Reduce / Accept / Transfer to 3rd party / Close</p>												

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**Cheltenham Borough Council  
Audit Committee – 23 September 2015**

**Progress report on monitoring of Safeguarding Training**

<b>Accountable member</b>	<b>Councillor Peter Jefferies, Cabinet Member Housing</b>
<b>Accountable officer</b>	<b>Tracy Brown, Partnerships Team Leader</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>No</b>
<b>Executive summary</b>	Under section 11 of the Children Act 2004 Cheltenham Borough Council has a duty to co-operate to safeguard children. One of these duties is to ensure that staff, volunteers and Councillors receive appropriate levels of training. The Council has a clear training pathway. There has however not been a robust enough procedure to ensure that all staff receive the correct level of training on this pathway and how we monitor that this has happened. This report sets out how the Council will ensure this happens moving forward.
<b>Recommendations</b>	<b>That the Committee notes the procedures and is reassured that we can evidence our compliance with our safeguarding training duties under section 11 of the Children Act 2004.</b>

<b>Financial implications</b>	None as a result of this report.
<b>Legal implications</b>	Section 11 of the Childrens Act 2004 places a statutory duty on key people and bodies, including district councils to make arrangements to ensure that in discharging their functions they have regard to the need to safeguard and promote the welfare of children. As such, training on safeguarding and promoting the welfare of children for all staff working with, or in contact with, children and families is an essential requirement to ensure that the Council is compiling with its statutory duty.  <b>Contact officer: Fiona Samuda, fiona.samuda@tewkesbury.gov.uk 01684 272062</b>
<b>HR implications (including learning and organisational development)</b>	None as a direct result of this report.  GO Shared Service HR Team work closely with the Council’s Partnership Team Leader to support the implementation of the Safeguarding standards.  <b>Contact officer: Julie McCarthy, julie.mccarthy@cheltenham.gov.uk, 01242 264355</b>
<b>Key risks</b>	<b>If safeguarding arrangements are not fully implemented it could result in a failure to safeguard a child.</b>

<b>Corporate and community plan Implications</b>	The Safeguarding Children and Vulnerable Adult Policy supports the council's outcome that people should live in strong, safe and healthy communities.
<b>Environmental and climate change implications</b>	Neutral
<b>Property/Asset Implications</b>	None <b>Contact officer: David Roberts@cheltenham.gov.uk</b>

## 1. Background

- 1.1 Safeguarding training has been identified as an ongoing issue of concern. Although reports have shown that adequate numbers of staff have received training there were not robust procedures in place to ensure this continued to be the case regardless of staff turnover. There was also no ongoing agreed monitoring of the numbers of those trained. This also applied to the procedures to ensure that staff, volunteers and elected members have signed the Council's safeguarding declaration.

## 2. Safeguarding Declaration

- 2.1 At the start of a member of staff's, volunteer's or Elected Member's time with Cheltenham Borough Council the Safeguarding Policy expects that they will sign a declaration that they have read and understood certain section of the Safeguarding Handbook. The role out of this had started via the learning gateway however was halted so that the testing of meta compliance could be completed via the declaration. The decision has been taken that the declaration should be taken forward via the learning gateway. Therefore all outstanding declarations will be sent out over the next two months via the learning gateway.

## 3. Maintaining a training register

All safeguarding training requirements are recorded on the learning gateway. It is the responsibility of Service Managers to ensure that the correct level of training is identified for staff and entered into the learning gateway. Service Managers should ensure that staff complete required training. The learning gateway acts as a register of training for the purpose of the Safeguarding Policy. In order to make sure this is up to date service managers will be required to review the entries for their staff every two years. This will be in line with the Gloucestershire Safeguarding Children Board's section 11 audit timeframe. The next review will therefore happen in November 2015.

## 4. Monitoring compliance

- 4.1 On a quarterly basis the Partnership Team Leader will request reports to ensure that the numbers completing the declaration and the required training do not fall below 90%. Should they be below 90% remedial actions will be taken to remedy this. Should they remain below 90% following the next scheduled report this will be reported to Senior Leadership Team under the standing agenda item on safeguarding and appropriate action taken from there.

<b>Report author</b>	<b>Contact officer: Tracy Brown, tracy.brown@cheltenham.gcsx.gov.uk, 01242 264142</b>
<b>Appendices</b>	1. Risk Assessment
<b>Background information</b>	None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If services commissioned by the Council do not meet the safeguarding standards required the Council may not meet its statutory duties	Deputy Chief Executive		4	2	8	Accept	Continue to monitor safeguarding compliance through Section 11 audit and review practice as necessary.	Ongoing	Tracy Brown	
	If services commissioned by the Council do not meet the required safeguarding standards there may be a failure to safeguard a child or vulnerable adult using those services	Deputy Chief Executive		4	2	8	Accept	Continue to monitor safeguarding compliance through Section 11 audit and review practice as necessary.	Ongoing	Tracy Brown	
	If services areas fail to engage with the safeguarding agenda fully the council may not meet its statutory duties.	Partnerships Team Leader		4	2	8	Accept	Continue to monitor safeguarding compliance through Section 11 audit and review practice as necessary.	Ongoing	Tracy Brown	
	If services areas fail to engage with the safeguarding agenda fully there may be a failure to safeguard a child or vulnerable adult in our care	Partnership Team Leader		4	2	8	Accept	Continue to monitor safeguarding compliance through Section 11 audit and review practice as necessary.	Ongoing	Tracy Brown	
<p><b>Explanatory notes</b></p> <p><b>Impact</b> – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p><b>Likelihood</b> – how likely is it that the risk will occur on a scale of 1-6</p>											

(1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)

**Control** - Either: Reduce / Accept / Transfer to 3rd party / Close

## Cheltenham Borough Council

### Audit Committee – 23 September 2015

#### Internal Audit Monitoring Report

<b>Accountable member</b>	Cabinet Member Corporate Services, Councillor John Walklett
<b>Accountable officer</b>	Head of Audit Cotswolds Robert Milford
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>No</b>
<b>Executive summary</b>	<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 Audit Cotswolds, 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>
<b>Recommendations</b>	<b>The Audit Committee considers the report and makes comment on its content as necessary</b>

<b>Financial implications</b>	<p>None specifically arising from the recommendation</p> <p><b>Contact officer: Sarah Didcote</b></p>
<b>Legal implications</b>	<p>None specifically arising from the recommendation</p> <p><b>Contact officer: Peter Lewis, Head of Legal Services, One Legal</b> <i>peter.lewis@tewkesbury.gov.uk, 01684 272012</i></p>
<b>HR implications (including learning and organisational development)</b>	<p>None specifically arising from the recommendation</p> <p><b>Contact officer: Julie McCarthy</b></p>
<b>Key risks</b>	<p>That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.</p>

<p><b>Corporate and community plan Implications</b></p>	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an 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 and Ireland).</i></p> <p>Therefore the internal audit activity impacts on corporate and community plans.</p>
<p><b>Environmental and climate change implications</b></p>	<p>Relevant to particular audit assignments and will be identified within individual reports.</p>
<p><b>Property/Asset Implications</b></p>	<p>None specifically arising from the recommendation</p> <p><b>Contact officer: David Roberts@cheltenham.gov.uk</b></p>

**1. Background**

- 1.1 The Annual Audit Plan 2014/15 was aligned with the corporate and service risks facing the Council as identified in the consultation with the Senior Leadership Team and supported by such systems as the risk registers. The role and responsibilities of internal audit reflect that it is there to help the organisation to achieve its 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 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 benefit to supporting the work of the External Auditor (Grant Thornton). This is in the form of financial and 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 Shared Services impacting on core financial systems and shared services generally impacting on core governance arrangements.
- 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 keep to a more flexible and risk based plan.
- 2.3 It should also be recognised that the service is a partnership, so co-ordinating 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 is continuing to review its operational procedures and processes to ensure they align with the Public Sector Internal Audit Standards (PSIAS).



**3.2** Audit Cotswolds as a service is in the process of updating the audit management software and data analytics tools.

- We are currently soft market testing the new software to administer the audit plans, evidence/testing records, report writing and time recording system. We have been to see the systems in operation at other local authority sites. This is necessary as the service now has multiple clients and the existing systems are inefficient and ineffective, therefore no longer suitable for the service.
- The new systems are also refreshing the tools for testing; IDEA software will be used to test to 100% of certain records and data sets through audits.
- The expected result of this investment is a more streamlined service able to deliver audits in a more efficient and effective manner. Therefore there may be changes to the reports format for this committee.

**3.3** Audit Cotswolds has also undertaken the following:

- Commenced provision of a full year of internal audit services to The Cheltenham Trust (TCT). This is a new client for the service. Initially 65 days commenced May 2015.
- We have successfully renewed our contract with our client Cheltenham Borough Homes Ltd for another year following The Cheltenham Borough Homes Audit & Risk Committee decision in September 2015.
- The DCLG Counter Fraud Fund bid on behalf of the Council has been successful and £403k was received 30<sup>th</sup> April 2015 at Cotswold DC. A more complete counter fraud update is at **Appendix 4**
- Conclusion of the Art Gallery & Museum Overspend review.

**3.4** Progress against the audit plan is set out in **Appendix 1**. The table below summarises the work undertaken and an update on its progress.

Audit	Report status
Performance Management	Draft waiting for Management response
Governance Compliance – Members Allowances	Draft
Data Protection & Control of Data	Draft
Income Streams	Draft
Transparency	Final

**3.5** Executive summaries of Audits can be found in **Appendix 2**.

**3.6** The assurance levels are set out in **Appendix 3**.

<b>Report author</b>	<p><b>Robert Milford Head of Audit Cotswolds</b>  <b>robert.milford@cheltenham.gov.uk,</b>  <b>01242 775058</b></p>
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<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Audit Plan Progress</li><li>2. Executive Summaries</li><li>3. Assurance levels</li><li>4. Counter Fraud Update</li></ol>
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Subject	Outline	Status
<b>CORE GOVERNANCE</b>		
Annual Governance Statement	Support and review of the AGS	Complete
Risk Management	Review of the training for service managers	Q4
Performance Management	Focus on performance of projects and programmes and in particular the role and responsibilities of SLT and Cabinet.	Q2 TBS
Governance Compliance	HR policy application by service managers: <ul style="list-style-type: none"> <li>Recruitment &amp; Selection including induction</li> <li>Capability, Grievance and Disciplinary</li> <li>Training schemes</li> </ul>	In progress
ICT	Application audits  Shared service support and review	
<b>CORE FINANCIALS</b>		
NNDR	Year 2 module of 3 year programme	Q3
Benefits	Year 2 module of 3 year programme	Q3
Council Tax	Year 2 module of 3 year programme	Q3
GOSS	Separate plan but encompasses Finance, Payroll aspects delivered by GOSS	Q3
GOSS - HR		In progress
GOSS – Procurement, Insurance, Health & Safety		Q4
<b>RISK BASED</b>		
Ubico Client Function	Follow-up to the 2013 audit review with the addition of an examination of client side cost covering client services provided by Gloucestershire Waste Partnership	(?? on hold)  In progress
Business Continuity	Overall plans, service plans and	Q4

Management	service manager engagement	
Accommodation strategy and property management	Review of strategy and property management	Q4
Security	Review of buildings and personnel security	Q4
Audit Committee Effectiveness	Review of Audit Committee against appropriate guidance and standards	Q4
Contract management	Review of key contracts including tender processes  Plus review of contractor use	Q2 – in progress
Task force review	Review of processes and procedures used in the Cheltenham Development Taskforce project	Q4
Safeguarding Adults and Children	Support the Safeguarding peer review and audit	Q4
<b>CONSULTANCY</b>		
REST project support	Support and ongoing advice regarding the REST project	On-going
20:20 vision	Support and ongoing advice regarding the 20:20 project	On-going
Other change projects	Support for other projects	N/A
<b>Other Audit Work</b>		
Management	Audit Committee, governance and risk groups, high level programmes, etc	N/A
Follow-ups	Assessment of recommendation implementation	N/A
Contingency	7% operational contingency	N/A

## Executive Summary of the follow up of Transparency

### Transparency Audit follow-up

This review has been carried out as part of a follow-up to the 2013/14 CBC transparency audit included in the 2013/14 audit plan. The follow-up work was approved by Audit Committee in March 2014.

The purpose of this audit review is to provide Members and senior officers with sufficient levels of assurance that the agreed risk and control recommendations have been implemented by management

### Original audit findings

The 2013/14 gave a 'High' level of assurance over the transparency preparations

### Follow-up assurance

Based on the sample testing completed as part of this follow-up review, our audit assurance opinion remains at **High**

Our High assurance opinion is based on our follow-up findings - all recommendations have been progressed. Two low priority actions remain partially outstanding with agreed target dates of Q3/Q4, these relate to frequently requested Freedom of Information datasets, and implementation of service level procedure/guidance notes

### Management response

*Customer Relations and Research Manager* - Datasets have been identified and are being produced and made available however capacity within service areas has meant this will not now be complete until September 2015.

*Director of Resources* - All of the responses to the recommendations within this report were considered by the Director of Resources who is responsible for delivering compliance with the Governments Code of Practice on Transparency. A number have been either completed or progress has been made to implement all of the recommendations.

**Assurance Levels**

Assurance levels for all audits follow a standard methodology to ensure reliability and validity of Internal Audit opinion. The table below set out the rationale for the opinion and suggested management action timescales.

<b>Assurance Level</b>	<b>IA Opinion – Controls</b>		<b>IA Opinion – Compliance</b>
<b>High</b>	The system of control is sound and designed to achieve system objectives		Controls are complete, consistently applied and compliance is good
<b>Satisfactory</b>	The system of expected control although sound, there are opportunities for improvement to further reduce system objective risks		Compliance is generally good but there is evidence of non-compliance with some controls
<b>Limited</b>	The system of controls falls below expectation as weaknesses are increasing system objective risks		There is sufficient evidence of non-compliance which puts the system objectives at risk
<b>Poor</b>	The system of control is weak thus significantly increasing system objective risk		There is significant non-compliance with controls leaving the system vulnerable to abuse or fraud which significantly increases the system objective risks

## Counter Fraud Update

### Current Operations

- Agreed extension of work for CBH / CBC – targeting social housing
- Ongoing tenancy fraud cases for CBH
- Ongoing Council Tax Reduction Scheme investigation and Single Point of Contact work for CBC
- Agreement with CBC to work proactively on the non-returned Single Person Discount forms to include penalties
- Joint Case with Gloucestershire County Council
- Draft SLC to neighbouring authority, including secondment of CBC officer, for reactive and proactive fraud work for the Council as a whole – reporting to their S151 Officer
- H&S work stream to ensure lone working policies and personal safety protocol in place
- General drafting and implementation of appropriate policies, legal contracts / documentation and data sharing agreements
- Project implementation re county wide data warehouse system

### Project Documentation

- Project Initiation Document (PID) is in production and is expected to present to Gloucestershire Chief Finance Officer Group meeting September.
- Timeline in production
- Financial forecast and models being developed

### Timeline

- Software demonstrations underway
- Schedule of works for Local Authority's within the area being developed
- The Section 101 agreement is expected to take at least 6-8 months. Section 113 secondments with Service Level Agreements being used temporarily.

### Planned work streams

- Awaiting work approval from neighbouring authority to discuss a provision of services utilising a section 113 agreement for the short term (18 months)
- Planned to mirror agreements and work at other authorities in Gloucestershire
- More structured approach and agreement with regard to fraud work

**Software procurement**

- We are developing the requirements document which will lead to the selection process for the data matching software.
- We are aware of the software solution being implemented by a neighbouring hub. This will influence the procurement process – in-line with the DCLG bid.



# The Audit Findings for Cheltenham Borough Council

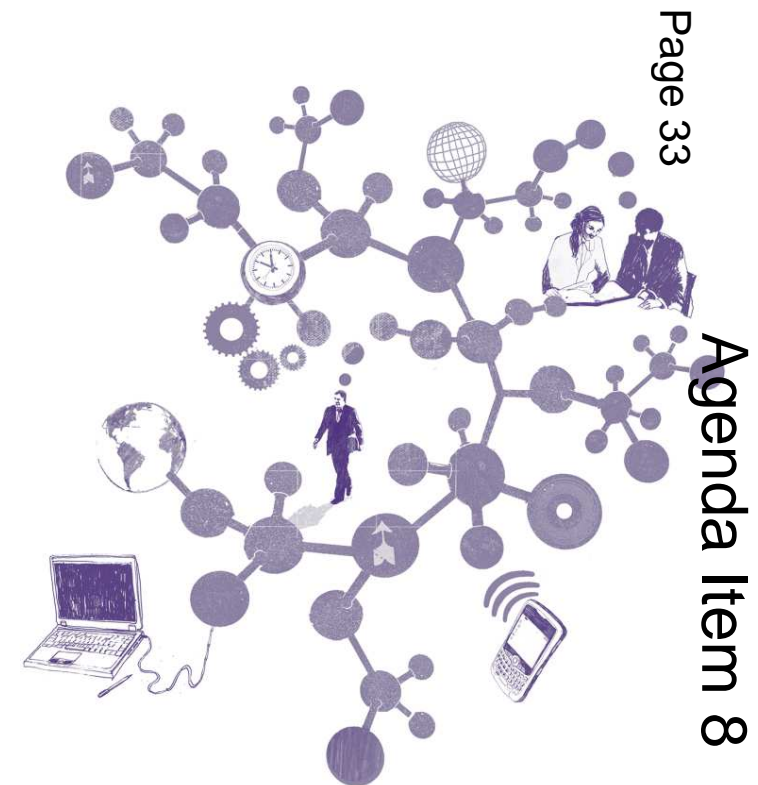
**Year ended 31 March 2015**

11 September 2015

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**11 September 2015**

Dear Members of the Audit Committee

**Audit Findings for Cheltenham Borough Council for the year ending 31 March 2015**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Cheltenham Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose misappropriation or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Peter Barber  
Engagement Lead

**Chartered Accountants**

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## **Appendices**

- A Action plan
- B Audit opinion

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Cheltenham Borough Council's (the Council) group and single entity financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the group and Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 25<sup>th</sup> March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- Receipt of a letter of assurance from Gloucestershire Pension Fund's auditors
- Receipt of a letter of assurance from UBICO's auditors
- Receipt of a letter of assurance from Cheltenham Borough Home's auditors
- Receipt of bank confirmations from Santander and Bank of Scotland

- Receipt of income transaction testing from the Cotswold District Council auditor, undertaking the work as part of our joined up audit approach with GOSS partners
- Obtaining and reviewing the final management letter of representation
- Review of final version of the Annual Governance Statement; and
- Updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The draft accounts presented for audit contained no material errors

We received draft financial statements and the majority of the accompanying working papers at the start of our audit, in accordance with the agreed timetable. Working papers were adequate and queries were responded to promptly.

The key messages arising from our audit of the group and Council's financial statements are:

- An overstatement of a PPE asset by £3 million offset by an understatement of another asset by £1.4 million (net impact £1.6 million overstatement).
- A classification error of £2 million between the revaluation reserve and the capital adjustment account at year end.

Neither of these errors has a material impact upon the Balance Sheet.

We have identified no adjustments affecting the group and Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements for the year ended 31 March 2015 recorded total comprehensive income and expenditure of -£10.6 million, no amendments have been proposed to this position as a result of the audit.

We have also identified a number of adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Controls**

#### **Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### **Findings**

We draw your attention in particular to control issues identified in relation to:

- The ability of the Director of Corporate Resources to prepare journals
- The fixed asset register not being updated, leading to manual adjustments and errors

Further details are provided within section two of this report.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the GO Shared Services Head of Finance

We have made a number of recommendations which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the GO Shared Services Head of Finance and the finance team.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**11 September 2015**

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 25<sup>th</sup> March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 25<sup>th</sup> March 2015.

## **Audit opinion**

Our proposed audit opinion is set out in Appendix B.



# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan there is one significant risk

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1	<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We rebutted this as a significant risk in our Audit Plan. We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any issues in relation to revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> <li>• Review of assurances from the Audit Committee and management in relation to fraud and regulations.</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. However, we noted that Director of Corporate Resources has the ability to raise journals, although in practice no journals have been raised by him in 2014/15.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Documented our understanding of the controls operating in the operating expenditure system</li> <li>• Performed walkthrough to confirm that controls are operating as described</li> <li>• Tested payments after the year end for any un-accrued liabilities.</li> <li>• Review and assessment of process for raising accruals at year end and testing of accrued expenditure.</li> </ul>	No issues were identified from our audit work relating to the risk of creditors understated or not recorded in the correct period.
<b>Employee remuneration</b>	Employee remuneration accrual understated	<ul style="list-style-type: none"> <li>• Documented our understanding of the controls operating in the employee remuneration system</li> <li>• Performed walkthrough to confirm that controls are operating as described</li> <li>• Tend analysis on the full year payroll</li> <li>• Reconciliation of payroll system to general ledger and financial statements.</li> </ul>	No issues were identified from our audit work relating to employee remuneration accrual understated.



# Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.



Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Ubico Ltd	Yes	Comprehensive	None	Full scope UK statutory audit performed by Grant Thornton UK LLP	Our audit work has not identified any issues in respect of Ubico Ltd
Cheltenham Borough Homes Ltd	Yes	Comprehensive	None	Full scope UK statutory audit performed by Grant Thornton UK LLP	Our audit work has not identified any issues in respect of Cheltenham Borough Homes Ltd
Gloucestershire Airport	No	Analytical	N/A	Desktop review performed by GT UK LLP	Our audit work has not identified any issues in respect of Gloucestershire Airport.

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>Revenue from provision of services is recognised when the council can measure reliably the level of completion of the transaction and it is probable that benefits will flow to the council. It is accounted for in the year that it takes place and not when the payment is made.</p> <p>Revenue grants received are accounted for on an accruals basis when the conditions of their receipt are met.</p>	<ul style="list-style-type: none"> <li>Accounting policies are appropriate and compliant with the Code of Practise on Local Authority Accounting 2014/15 (the Code) and accounting standards</li> <li>The revenue recognition policy covers all material revenue streams including non-exchange transactions (Council tax and non-domestic rates)</li> <li>We have undertaken substantive testing of grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies.</li> <li>The disclosure of accounting policies are adequate.</li> </ul>	 <b>Green</b>
<b>Estimates and judgements</b>	<p><b>PPE Revaluations</b></p> <ul style="list-style-type: none"> <li>Note 22 of the accounts set out the Authority's revaluation programme where the Council revalues its land and buildings with a 5 year period.</li> <li>This approach is similar to many other authorities and we are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2015.</li> </ul>	<p>Compliance with the Code</p> <ul style="list-style-type: none"> <li>In our view this does not meet the Code's requirement in paragraph 4.1.2.35 to value all items within a class of property, plant and equipment simultaneously.</li> <li>This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:                         <ul style="list-style-type: none"> <li>- the revaluation of the class of assets is completed within a '<i>short period</i>'</li> <li>- the revaluations are kept up to date</li> </ul> </li> <li>We would normally expect this '<i>short period</i>' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets covers more than one financial year</li> </ul>	 <b>Amber</b>


**Assessment**

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.



Accounting area	Summary of policy	Comments	Assessment
<b>Estimates and judgements</b>	<b>Other estimates and judgements</b> <ul style="list-style-type: none"> <li>• NDR Provisions</li> <li>• Depreciation and asset values</li> <li>• Pension fund valuations and settlement</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has appropriately disclosed its significant judgements and estimates.</li> <li>• The Council has appropriately relied upon the work of experts for pension fund valuations.</li> <li>• Our review of other estimates and judgements did not identify any issues.</li> </ul>	 <b>Green</b>

## Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	Officers have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and are satisfied with their assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 <b>Green</b>
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	<p>Accounting policies included within the statement of accounts have been reviewed to ensure:</p> <ul style="list-style-type: none"> <li>• accounting policies cover all material transactions and balances</li> <li>• policies for non-existent or immaterial transactions have been excluded</li> <li>• the Council's accounting policies are followed in practice</li> <li>• all terminology used is in line with the Local Government Code of Practice.</li> </ul> <p>From our review a number of immaterial and non-applicable accounting policies have been included within the Statement of Accounts. We recommend that these are reviewed year on year and only applicable and material policies are included.</p> <p>It is deemed to be good practice for accounting policies to be reviewed and approved by members, a recommendation has been raised regarding this.</p> <p>Our review of accounting policies has not highlighted any other issues which we wish to bring to your attention.</p>	 <b>Amber</b>

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**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Other comments

Area	Comments
<p><b>De-cluttering of the Statement of Accounts</b></p>	<p>We identified a number of areas within the Statement of Accounts where we believe the Council can de-clutter the content of the accounts. Whilst we recognise that the Council have made positive progress in relation to this since the prior year, there are a number of immaterial notes and areas within the accounts which can be further simplified. We believe this is an area which is important to consider in 2015/16 as it will help to achieve the early closedown deadline in 2017/18. A recommendation has been made in relation to this.</p>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Chair of the Audit Committee. We are aware of housing benefit frauds and have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>A number of minor disclosure changes were proposed and amended in the statement of accounts</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
6.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from the PWLB for loans and requested from management permission to send confirmation requests for confirmation for borrowing, bank and investment balances . This permission was granted and the requests were sent.. The following are still outstanding                             <ul style="list-style-type: none"> <li>- Santander</li> <li>- Bank of Scotland</li> </ul> </li> </ul>




# Internal controls

The purpose of an audit is to express an opinion on the financial statements.



Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	 Amber	<ul style="list-style-type: none"> <li>The Section 151 officer has the ability to post journals, although has not done so during 2014/15.</li> <li>It is good practice for senior financial reporting staff to not have the ability to post journals as their adjustments would not be subject to authorisation by a more senior officer.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that the S151 Officer's ability to raise journals should be removed</li> </ul>
2.	 Red	<ul style="list-style-type: none"> <li>The Council encountered a number of issues in 2014/15 with their fixed asset module. This led to a number of errors within the PPE disclosures in the statement of accounts due to the fixed asset module not being up to date as at 31 March 2015..</li> </ul>	<ul style="list-style-type: none"> <li>A recommendation was made in the prior year around ensuring the fixed asset register is kept up to date. Due to a number of issues encountered by the finance team during 2014/15 closedown of the accounts, the asset register was not fully updated to reflect 2014/15 movements in PPE balances. We recommend that a review is undertaken of the effectiveness of the fixed asset module and a decision to be made by the GO Shared Services Head of Finance on how to move forward with this to ensure that the fixed asset register is able to be used effectively in 2015/16.</li> </ul>

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## Assessment

-  Significant deficiency – risk of significant misstatement
-  Deficiency – risk of inconsequential misstatement

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 Other land and buildings overstated by £2.99 million as a result of a the Wilson Art Gallery and Museum revaluation gain being incorrectly calculated due to the assets under construction balance relating to the asset not being included in the calculation. PPE was understated by £1.4 million due to HRA land being incorrectly held at nil value following the demolition of a number of properties. The net impact of these errors is an overstatement of PPE in the Balance Sheet of £1.6 million.	0	Cr Property, Plant and Equipment 1,590  Dr Revaluation Reserve 1,590	0
2 A number of downward revaluations of Property, Plant and Equipment had been taken to the Revaluation Reserve when there were insufficient or no balances for these assets held in the reserve. The losses should have been charged to the Comprehensive Income and Expenditure Account. There is no effect on the Council's General Fund balance as statutory adjustments mean this charge would be reversed to the Capital Adjustment Account through the Movement in Reserves Statement.	Dr Cost of Services 2,005  Cr Surplus on the revaluation of non-current assets 2,005	Cr Revaluation Reserve 2,005  Dr Capital Adjustment Account 2,005	0
<b>Overall impact</b>	<b>£0</b>	<b>£1,590k</b>	<b>£0</b>

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
3 Revaluation gains relating to assets which were disposed of in 2013/14 have not been reversed out of the revaluation reserve and into the capital adjustment account on their disposal. This is a movement between Unusable Reserves which has not impact upon the reported balance Sheet.	0	Cr Revaluation Reserve 4,210  Dr Capital Adjustment Account 4,210	0
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>

# Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	Various amendments to movements within the property, plant and equipment note 22	Property, plant and equipment – Note 22	<p>Note 22 property, plant and equipment has been updated to show correct movements in 2014/15. These changes have no impact on the carrying value of PPE in the Balance Sheet. The following adjustments were made;</p> <ul style="list-style-type: none"> <li>- Reversal of council dwelling accumulated depreciation of £23,180k due to the properties being revalued as at 31 March 2015. This results in a movement between unusable reserves (decrease revaluation reserve, increase capital adjustment account)</li> <li>- Depreciation charged for other land and buildings was understated by £181k and the revaluation decrease was overstated by £181k due to the incorrect coding of depreciation to revaluation loss.</li> <li>- Revaluation losses incurred at 31 March 2015 for other land and buildings of £2,323k were incorrectly disclosed as impairment losses</li> </ul>
2 Disclosure	Various amendments within the financial instruments note	Financial Instruments – Note 29	<p>The Note has been updated for the following;</p> <ul style="list-style-type: none"> <li>- Cash and cash equivalents have been included within the note as a financial asset</li> <li>- The analysis of PWLB loans by maturity has been updated to show the correct figures</li> <li>- Creditor and debtors figures have been updated to remove amounts which are outside the definition of financial instruments due to them being statutory in nature and not arising from contracts.</li> </ul>

## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
3 Misclassification	2,511	Revaluation losses - CIES	£2,511k of revaluation losses originally disclosed on the face of the Comprehensive income and expenditure statement should have been disclosed within the 'surplus/deficit on revaluation of non-current assets' line and not disclosed separately.
4 Disclosure	-	Leases – Note 26	The lease disclosure within the draft statement of accounts did not disclose the future minimum lease payments as required by the CIPFA Code. The narrative was also updated to reflect the lease arrangements that the Council has in place.
5 Disclosure	1,443	Grants Received in Advance – Revenue – Note 22	The balance of £1,443k was disclosed as relating to Commuted Grounds Maintenance contributions. The balance consists of £1,037k affordable housing contribution, £222k other balances and £184k commuted grounds maintenance.
6 Disclosure	(2,086)	Non-Domestic Rates income and expenditure – Note 14	Income and expenditure were shown as a net figure of (£2,086k). As income and expenditure are individually material, they have been split to show income of (£21,709k) and expenditure of £19,623k.
7 Misclassification	245	Heritage Assets – Note 22.1	£245k of Heritage Assets held via long term loans were identified by the Council as not being owned by them, and were written out of the Balance Sheet with the loss taken to the CIES. This adjustment was shown as a revaluation loss. The write out should have been identified as a restatement amendment within the Heritage Assets note.

## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
8 Disclosure	2,511	Termination Benefits – Note 17	The CIPFA Code requires this disclosure to be split between compulsory departures and other departures, which was not done in the draft financial statements.
9 Disclosure	-	External Audit Costs – Note 19	The 2013-14 supplementary fee for Business Rates, as set by the Audit Commission, was incorrectly shown as a 2014-15 cost. The National Fraud Initiative work undertaken by the Audit Commission was also disclosed as being undertaken by the Appointed Auditor.
10 Disclosure	-	-	A small number of other minor disclosure issues were identified within the Statement of Accounts to improve their readability or to ensure that they were compliant with the CIPFA Code.

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## Section 3: Value for Money

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# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that the Council has satisfactory arrangements in place to secure financial resilience. In particular:

- The 2014/15 outturn reported an underspend against the original budget
- a robust medium term financial strategy is in place
- finance management is sound with effective reporting of variances from plans.

Further reductions in Local Government funding are likely and the Council's Medium Term Financial Strategy (MTFS) identifies £1.5 million of required savings in the next four years which have yet to be identified. Some of these savings will be dependent on the success of the 2020 Vision Programme which is still subject to Council approval.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has satisfactory arrangement in place to challenge value for money and in particular the Council:

- understands its priorities and allocates resources appropriately
- works in partnership with other authorities to achieve efficiencies and value for money
- is exploring innovative ways of delivering high quality services whilst making savings through shared services with other local district councils.

### Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.



We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	We reviewed the Council's performance against budgets and the level of reserves. At 31 March 2015, the General Fund balance was £1.6 million and Earmarked General Fund Reserves were £5.311 million. Total useable reserves increased by £1.043 million over the prior year, largely due to increases in the Housing Revenue Account of £1.354 million and the Capital Receipts Reserve of £1.037 million, offsetting reductions in the General Fund and Earmarked General Fund balances of £0.152 million and £1.128 million respectively. We are of the view that the Council continues to be financially viable and stable.	<b>Green</b>
<b>Strategic financial planning</b>	The Council's medium term financial strategy (MTFS) takes into account the factors we would expect, is updated sufficiently regularly and is responsive to significant events in the annual financial cycle.  The Council has explored alternatives before deciding on the medium term financial strategy.  The MTFS requires £3.727 million of savings to be delivered over the next four years to 2018/19. The Council has already identified a number of savings initiatives which close this gap to £1.543 million. The Council has a number of additional savings initiatives including 2020 Vision to close the remaining budget gap. Should these savings not be realised the Council will either have to use general fund balances or cut discretionary services.	<b>Green</b>
<b>Financial governance</b>	The Council understands its financial environment. Financial reporting to members is sound and, in particular, both the explanation of the financial strategy and reporting of the revenue outturn for the year was clear and comprehensive. Revenue monitoring is reported to the Cabinet throughout the year and facilitate a good level of challenge, including reviewing service performance.	<b>Green</b>
<b>Financial control</b>	The Council continues to manage its finances effectively. The revenue budget was £0.253 million underspent in 2014/15, with £0.009 million residual savings made in 2014-15. Budget monitoring and reporting throughout the year was comprehensive and enabled members to understand the on-going financial position.	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Prioritising resources</b>	The Council has a good understanding of the available resources and the priorities for spending. The Council is challenging the way services are delivered and through the 2020 Vision programme is exploring innovative and new ways of delivering services across the Council, building on shared service arrangements already in place with The Forest of Dean, Cotswold and West Oxfordshire District Councils. The Council has consulted with the public about shared service arrangements and alternative means of delivering savings.	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	The Council is continuing to focus effort on its corporate priorities including making best use of resources. Savings and efficiencies have already established through sharing back office support for Finance and HR functions through the GOSS partnership ,a shared ICT service with the Forest of Dean District Council, a joint waste and environmental services company (UBICO) with Cotswold District Council, Cheltenham Borough Homes and the Cheltenham Trust, established in 2014-15. These arrangements result in improved efficiencies, productivity and savings for the Council.	<b>Green</b>

## Areas for development

Our assessment against each of the 6 risk areas concluded that the Council has adequate arrangements in place (green) as set out on pages 24-25. Our work has identified one area requiring further attention. The table sets out this area in more detail which falls within the 'Strategic Financial Planning' risk area.

Residual risk identified	Summary findings	RAG rating
<b>Strategic Financial Planning</b>		
<b>Focus of the MTFS</b>	<p>The Council's MTFS indicates a currently unfunded budget gap of £1.543 million to 2018/19. The Council proposes to close the budget gap through a number of savings initiatives, including its 2020 Vision Programme. A risk remains that should these savings initiatives not come to fruition the Council will have no alternative but to dip into its general fund balance or cut its discretionary services.</p> <p>The Council has limited general fund balances compared to some other Authorities, and is therefore not able to fall back on this option should required savings not be achieved over a prolonged period.</p>	<b>Amber</b>

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## Section 4: Fees, non-audit services and independence

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# Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

## Fees

	Per Audit plan £	Actual fees £
Council audit	65,974	65,974
Grant certification on behalf of Audit Commission	12,020	TBC
<b>Total CBC audit fees</b>	<b>77,894</b>	<b>77,894</b>

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 5: Communication of audit matters

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05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓ Page 63
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

# Appendices



# Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Section 151 Officer's ability to post journals should be removed.	Medium	The Finance System user roles embedded within the system are complicated and it will be difficult to remove this access in isolation from other access rights which are required. However, the system is due to be upgraded in November 2015 and the Section 151 Officer has requested that his access be reviewed in order for this isolated ability to post journals be removed. In the meantime, the Section 151 Officer will not post any journals as can be demonstrated since the new system went 'live' in December 2011.	November 2015 ERP Business Partner
2	A review is undertaken of the effectiveness of the fixed asset module and a decision made by the S151 Officer on how to move forward with this to ensure that the fixed asset register is able to be used effectively in 2015/16	High	The fixed asset module has now been reconciled to the balance sheet for all assets held. A review will be done in 2015/16 to consider the level of integration of the fixed asset module to the General Ledger module within Agresso to ensure their effectiveness and ongoing accuracy.	December 2015 GOSS Business Partner
3	The Council should ensure the 2015/16 statement of accounts are de-cluttered including a review of accounting policies to ensure they are applicable.	Medium	Agreed. A fundamental review will be undertaken between January and March 2016	April 2016 GOSS Business Partner Manager (West)
4	Accounting policies should be reviewed and approved by members.	Low	Agreed.	June 2016 Audit Committee Section 151 Officer

# Appendix B: Audit opinion

**We anticipate we will provide the Council with a modified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHELTENHAM BOROUGH COUNCIL**

We have audited the financial statements of Cheltenham Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Cheltenham Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Section 151 Officer and auditor**

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer; and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword and the Group's explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

give a true and fair view of the financial position of Cheltenham Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended;  
give a true and fair view of the financial position of the Group as at 31 March 2015 and of its expenditure and income for the year then ended; and  
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory forewords for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We are required to report to you if:

in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources**

***Respective responsibilities of the Authority and the auditor***

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements. We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Cheltenham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

***Delay in certification of completion of the audit***

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority’s Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



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**Cheltenham Borough Council**  
**Audit Committee - 23 September 2015**  
**Statement of Accounts 2014/15**  
**Report of the Section 151 Officer**

<b>Accountable member</b>	<b>Cabinet Member Finance, John Rawson</b>
<b>Accountable officer</b>	<b>Section 151 Officer, Paul Jones</b>
<b>Accountable scrutiny committee</b>	<b>Audit Committee</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Significant Decision</b>	<b>Yes</b>
<b>Executive summary</b>	The purpose of this report is to present the audited Statement of Accounts 2014/15 for formal approval. Members of the Committee will recall that Council previously agreed that the consideration and sign off of the statement of accounts is delegated to the audit committee and that no report is made back to council unless there are issues arising from the audit.
<b>Recommendations</b>	<b>That the audited Statement of Accounts for 2014/15 be approved for signature by the Chairman of this Committee.</b>

<b>Financial implications</b>	None  <b>Contact officer: Sarah Didcote</b> <b>E-mail: <a href="mailto:mark.sheldon@cheltenham.gov.uk">mark.sheldon@cheltenham.gov.uk</a></b> <b>Tel no: 01242 264123</b>
<b>Legal implications</b>	This report adopts relevant guidance issued in the Accounts and Audit Regulations 2003 and 2011.  <b>Contact officer: Peter Lewis</b> <b>E-mail: <a href="mailto:Peter.Lewis@tewkesbury.gov.uk">Peter.Lewis@tewkesbury.gov.uk</a></b> <b>Tel no: 01684 272012</b>
<b>HR implications (including learning and organisational development)</b>	None  <b>Contact officer: Julie McCarthy,</b> <b>E-mail <a href="mailto:julie.mccarthy@cheltenham.gov.uk">julie.mccarthy@cheltenham.gov.uk</a>,</b> <b>Tel no: 01242 264355</b>

<b>Key risks</b>	There are no risks arising from this report which need to be brought to the attention of members.
<b>Corporate and community plan Implications</b>	None identified.
<b>Environmental and climate change implications</b>	None identified.

## 1. Introduction

- 1.1 The Accounts and Audit Regulations 2011 require the council to prepare an annual statement of accounts by 30<sup>th</sup> June of each year. The Section 151 Officer must sign and date the draft statement of accounts, and certify that they present a true and fair view of the financial position of the council. There should then be a period of public inspection of the accounts of 20 working days, for which public notice of at least 14 days must be given.
- 1.2 The Regulations then require that the draft accounts be audited and for the audited statement of accounts to be considered and approved by way of a council committee by 30 September, following the year end. The Section 151 Officer must re-certify the audited statement of accounts prior to this meeting. Following approval by the committee, the statement of accounts is to be signed and dated by the person presiding at the meeting.
- 1.3 At its meeting on 28<sup>th</sup> June 2010 Council delegated authority to the Audit Committee to review and approve the audited statement of accounts.
- 1.4 The Audit Committee review specifically considers whether appropriate accounting policies have been followed, the conclusion of the audit of the statements, and whether there are any issues that need to be brought to the attention of the Council. The Committee also considers whether the Annual Governance Statement fairly reflects the arrangements within the council and whether the suggested action plan will address any significant governance issues.

## 2. Background

- 2.1 The draft Statement of Accounts was signed by the Section 151 Officer on 30<sup>th</sup> June 2015. The public inspection period operated from 6<sup>th</sup> July to 31<sup>st</sup> July 2015 and a public notice to that effect was placed in the Gloucestershire Echo on 22<sup>nd</sup> July 2015.
- 2.2 The accounts were audited during July and August 2015 and have been signed by the Section 151 Officer.
- 2.3 From 2010/11 the Statement of Accounts has had to comply with a new code of accounting practice – the CIPFA Code of Practice on Local authority Accounting (the 'Code'), which fully incorporates International Financial Reporting Standards (IFRS).

## 3. Auditor's Report

- 3.1 The council's external auditors, Grant Thornton UK LLP, conducted a full audit of the financial statements and have issued a 'Report to those charged with governance (ISA 260) for 2014/15, giving the Statement of Accounts an unqualified audit opinion.
- 3.2 The auditor must appoint a date on which local government electors for the area to which the accounts relate may exercise their rights under regulation 15 and 16 of the Audit commission Act 1998 to question the auditor about or make objections to the accounts. The date appointed by the auditor was 3<sup>rd</sup> August 2015.

**4. Reasons for recommendations**

- 4.1 The Council is required to formally approve its audited Statement of Accounts by 30<sup>th</sup> September. The Chairman of the Audit Committee is asked to approve the Statement on behalf of the Council.
- 4.2 A copy of the audited Statement of Accounts 2014/15 is attached at Appendix 1 to this report. Once approved, the audited statements will be published on the Council's website and notice advertised of the completion of the audit.

**5. Alternative options considered**

- 5.1 None.

**6. Consultation and feedback**

- 6.1 As detailed throughout the report.

<b>Report author</b>	<b>Contact officer: Sarah Didcote</b> <b>Sarah.didcote@cheltenham.gov.uk</b> <b>01242 264125</b>
<b>Appendices</b>	<ul style="list-style-type: none"> <li>1. Statement of Accounts 2014/15 (to follow)</li> <li>2. Letter of representation</li> </ul>
<b>Background information</b>	<p>External Audit Working paper files 2014/15</p> <p>Code of Practice on Local Authority Accounting in the UK 2014/15 Accounts</p> <p>Service Reporting Code of Practice 2014/15</p> <p>Report to those charged with governance (ISA 260) for 2014/15</p> <p>Accounts and Audit Regulations 2003</p> <p>Accounts and Audit Regulations 2011</p>

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Grant Thornton UK LLP  
Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

23 September 2015

Dear Sirs

**Cheltenham Borough Council**  
**Group Financial Statements for the year ended 31 March 2015**

This representation letter is provided in connection with the audit of the group financial statements of Cheltenham Borough Council and its subsidiary undertakings as shown in Appendix I to this letter, for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Group financial Statements**

- i We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.

**Chartered Accountants**

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- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the group or parent Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the group financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiii We believe that the Group and Council financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Group or Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xiv We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and

## Page 75

- c unrestricted access to persons within the group and parent Council from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xvii We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xviii We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent Council involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group and parent Council financial statements.
- xxi We have disclosed to you the identity of all the group's and the parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

### **Annual Governance Statement**

- xxiii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

### **Approval**

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 23 September 2015.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

Appendix I

**List of subsidiary undertakings**

Cheltenham Borough Homes

Ubico

Gloucestershire Airport

Audit Committee 2014-2015 work plan

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

**23 September 2015**

Briefing (to agree agenda): 10 August 2015	Complete reports by: 11 September 2015 at 5pm	
Audit highlights memorandum - ISA 260 (2014-15) and financial resilience (2015-16)	Grant Thornton	Discussion
Internal audit monitoring report	Rob Milford	Discussion
Review of annual statement of accounts	Finance Team	Decision
Leisure and Culture Trust – 12 month review of governance arrangements	Gill Morris (client officer)	Discussion
AGS SIAP – progress report on safeguarding of children and vulnerable adults (maintaining a training and handbook register)	Tracey Brown / Jan Bridges	Discussion
AGS SIAP – progress report on car parking (management of the car parking services impacting on income and operational effectiveness) – to be presented by Mike Redman	Yvonne Hope / Barbara Exley	Discussion

**13 January 2016**

Briefing (to agree agenda): 30 November 2015	Complete reports by: 1 January 2016	
Audit committee update	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	Discussion
Annual governance statement – significant issues action plan progress report	Bryan Parsons	Decision
RI(A guidance review	Bryan Parsons	Discussion

**23 March 2016**

Briefing (to agree agenda): 8 February 2016	Complete reports by: 11 March 2016	
Audit committee update	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	Discussion
Annual review of risk management policy	Bryan Parsons	Decision

Audit Committee 2014-2015 work plan

Item	Officer	Decision / Discussion / Information
Approval of the Code of Corporate Governance	Bryan Parsons	Decision
<b>15 June 2016</b>		
<b>Briefing (to agree agenda): 3 May 2016</b>	<b>Complete reports by: 3 June 2016</b>	
Audit committee update	Grant Thornton	Discussion
Internal audit opinion (for the previous year)	Rob Milford	Discussion
Internal audit monitoring report	Rob Milford	Discussion
Annual governance statement	Bryan Parsons	Decision
Annual Audit Fee letter for the coming year	Grant Thornton	Discussion
Annual counter fraud report	Rob Milford	Tbc

<b>Items to be added at a future date (future dates will not be agreed until March 2016)</b>		
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	
Requirements of the Localism Act (re: local audit)	Rob Milford	Tbc
Corporate Governance arrangements for Glos Airport following further work by the JASWG and recs arising	Mark Sheldon	Tbc
Revenue and benefits commissioning review (governance arrangements)	Mark Sheldon	Tbc
AG&M report by Audit Cotswolds (will require special meeting)	Rob Milford	
Briefing note - Audit arrangements of Airport, ICT and other services/bodies for which CBC require assurances	Rob Milford	Information

<b>ANNUAL ITEMS (standing items to be added to the work plan each year)</b>			
January	Audit committee update	Grant Thornton	Discussion

Audit Committee 2014-2015 work plan

	Item	Officer	Decision / Discussion / Information
	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	Discussion
	Annual governance statement – significant issues action plan	Bryan Parsons	Decision
March	Audit committee update	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	Discussion
	Annual review of risk management policy	Bryan Parsons	Decision
	Approval of the Code of Corporate Governance	Bryan Parsons	Decision
June	Audit committee update	Grant Thornton	Discussion
	Internal audit opinion (for the previous year)	Rob Milford	Discussion
	Internal audit monitoring report	Rob Milford	Discussion
	Annual governance statement	Bryan Parsons	Decision
	Annual Audit Fee letter for the coming year	Grant Thornton	Discussion
	Annual counter fraud report	Rob Milford	Tbc
September	Audit committee update	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	Discussion
	Review of annual statement of accounts	Finance Team	Tbc

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# Briefing Notes

Audit Committee

23 September 2015

Saira Malin, Democracy Officer

This note contains information to keep Members informed of matters relating to the work of the committee but where no decisions from Members are needed.

If Members have questions relating to matters shown, they are asked to contact the Officer indicated.

## **Matters arising from the last meeting of the committee (17 June 2015)**

1. Members asked if the Rotherham case review could be presented to all members at a meeting of Council.

It has been agreed that this will form part of future Council meeting, in the form of a report of the Chairman of the Audit Committee. Officers will liaise with the Chairman to agree what recommendations will be made, though timescales for this are yet to be confirmed.

*For further information on this issue contact: Tracy Brown, Partnerships Team Leader, 01242 264142.*

2. A member asked about the Build to Rent Scheme and whether CBH had considered what role it might play and how this might impact the council. The following response was received.

The Build to Rent Scheme is a loan that can be made available to developers, on a commercial footing, to kick start the delivery of large scale private rented accommodation (i.e. over 100 homes). Once built the homes will be sold on to large institutional investors who are looking for an ongoing revenue return. The developer is also required to have in place a strategy for the ongoing management of these homes.

In terms of what role CBH might play as a developer, CBH has relatively limited experience in development and nothing on the scale required to deliver large numbers of private rented homes. There is also limited HRA land availability, and certainly not enough to provide a mix of tenure on site that would be preferable for achieving long term sustainable communities. The most suitable sites are the large strategic allocations identified within the JCS, but these are owned by private developers who take a more traditional approach to new build – i.e. selling to owner occupiers, because this is currently a more profitable business model for most developers.

If there were to be an appetite from a private developer to build homes and sell them in this way, it is possible that CBH could play a role in managing these homes on behalf of the private investors. These investors will however want to maximise their return on their investment: ie by ensuring that the management fee is kept highly competitive. Private rented homes would therefore need to be let at market rents with low void turnover of stock and low rent arrears.

With the onset of welfare reforms and in particular the implementation of universal credit there are heightened risks in managing homes on behalf of tenants relying on benefits to subsidise their rent. This is clearly a greater risk where rents are higher. CBH would have to minimise risks by letting these properties to tenants who pose lower risks because they are not reliant on benefits, etc. The

business model required to make the management fee competitive would therefore be more akin to the business models being used by private Lettings Agents, which is very different from how CBH currently operate.

CBC and CBH considered the role CBH might play in the private rented sector during its last blue skies event in November last year, and the outcome of this was that CBH considered the market was too high risk for these reasons.

Following the recent budget announcement which will see a reduction in CBC rents by 1%/year over the next four years, and which is a cost to the HRA of approximately £6.8 million over this period, CBC and CBH will need to review its priorities. This will clearly require a greater focus on ensuring that core services will remain unaffected by these cuts, and is therefore likely to result in an even smaller appetite for expanding into non-core service areas.

*For further information on this issue contact: Martin Stacy, Lead Commissioner – Housing Services, 01242 775214.*

3. Members asked for a summary of governance arrangements for partnerships including the Gloucestershire Waste Partnership, Gloucestershire Airport Ltd, The Cheltenham Trust, Audit Cotswolds, One Legal, ICT, Building Control and GO.

This information will be collated into a table by officers and circulated in due course.

*For further information on this issue contact: Rob Milford, Audit Partnership Manager, 01242 775058.*