



# CHELTENHAM

## BOROUGH COUNCIL

### Notice of a meeting of Audit Committee

**Wednesday, 20 September 2017**  
**6.00 pm**  
**Pittville Room - Municipal Offices**

<b>Membership</b>	
<b>Councillors:</b>	Colin Hay (Chair), Steve Harvey (Vice-Chair), Matt Babbage, Paul McCloskey, John Payne, David Willingham and Jon Walklett

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> 14 June 2017	(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>AUDIT FINDINGS REPORT - ISA260 INCLUDING FINANCIAL RESILIENCE</b> Grant Thornton	(Pages 11 - 48)
<b>6.</b>	<b>STATEMENT OF ACCOUNTS 2016/17</b> Sarah Didcote, Deputy Section 151 Officer (Statement of Accounts to follow)	(Pages 49 - 56)
<b>7.</b>	<b>INTERNAL AUDIT MONITORING REPORT</b> Internal Audit	(Pages 57 - 76)
<b>8.</b>	<b>COUNTER FRAUD UNIT REPORT AND COUNCIL TAX, HOUSING BENEFIT AND COUNCIL TAX SUPPORT PENALTY AND PROSECUTION POLICY</b> Counter Fraud Unit	(Pages 77 - 94)
<b>9.</b>	<b>WORK PROGRAMME</b>	(Pages 95 - 98)

10.		<b>ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	
11.		<p><b>LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION</b></p> <p><b>The committee 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(s) 3 and 5, Part (1) Schedule (12A) Local Government Act 1972, namely:</p> <p>Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information)</p> <p>Paragraph 5; Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings</p>	
12.		<p><b>EXEMPT MINUTES OF THE LAST MEETING</b></p> <p>14 June 2017</p>	(Pages 99 - 100)
13.		<p><b>DATE OF NEXT MEETING</b></p> <p>10 January 2018</p>	

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### Audit Committee

**Wednesday, 14th June, 2017**

**6.00 - 7.40 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Colin Hay (Chair), Steve Harvey (Vice-Chair), Matt Babbage, Paul McCloskey, John Payne, Jon Walklett and David Willingham
<b>Also in attendance:</b>	Sarah Didcote (Deputy Section 151 Officer), Dave Hill (SWAP), Jessica Howell (Gloucestershire County Council), Jaina Mistry (SWAP), Sophie Morgan (Grant Thornton)

### Minutes

**1. APOLOGIES**

All members were present as expected. Apologies had been received from Bryan Parsons and Peter Barber.

**2. DECLARATIONS OF INTEREST**

Councillor Willingham declared a non-prejudicial interest in agenda item x (xxx) as a

**3. THE MINUTES OF THE LAST MEETING**

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

Upon a vote it was

**RESOLVED that the minutes of the meeting held on the 22 March 2017 be agreed and signed as an accurate record.**

**4. PUBLIC QUESTIONS**

No public questions had been received.

**5. THE PROVISION OF EMERGENCY MANAGEMENT SUPPORT SERVICES**

Jessica Howell from the Gloucestershire County Council Civil Protection Team (CPT) introduced the overview of the provision of Emergency Management support services. She explained that borough council (CBC) had statutory duties under the Civil Contingencies Act 2004, to prepare for, respond to and recover from any emergency that affects its staff, the environment and any communities or businesses in the borough. The council had a Service Level Agreement (SLA) with the CPT for the provision of emergency management support services which assisted the council in fulfilling its responsibilities. The SLA was underpinned by a business plan which outlined areas of support and a monthly work program which detailed work priorities. This SLA included a dedicated Civil Protection Officer (CPO), which had until recently been Matt Armstrong, seconded from the Fire Service and his replacement would be Lionel McCrea. The CPO worked closely with the council's District Emergency Planning Liaison Officer (DEPLO) and the Local Resilience Forums, taking a

lead on developing and reviewing emergency plans for the Local Resilience Forums on behalf of the council. The Local Resilience Forums were based on Police Forces, meaning the Forum which the council formed part of was a Gloucestershire Forum which included the Police, Fire Service, NHS and Environment Agency and a key part of the work of the Forum was planning for some specific emergencies (Flu Pandemic/Floods/etc) and some more generic emergencies. The council had some specific emergency plans which included the Charlton Kings Rapid Response Catchment Plan, which was developed after the Environment Agency identified Charlton Kings as an area prone to flash flooding. There were 4 rest centres in Cheltenham (Leisure@, All Saints Academy, Dean Close School and the Salvation Army Church and the plans for each contained contact information and site details. These plans were up to date and following a recent exercise were shown to be robust. Emergency Response Teams were made up of volunteer staff and regular sessions provided to ensure that people were adequately trained. A requirement of the Civil Contingencies Act is for the council to have Business Continuity Plan in place which details the actions required to maintain a service to the public. The CPT and DEPLO had worked hard to ensure procedures were robust and had recently undertaken a successful desktop exercise to test the arrangements. The SLA offered a Duty Officer 24 hours a day, 7 days a week, 365 days a year and in response to an incident would contact the DEPLO and depending on the scale/type of incident, he would contact others.

Jessica gave the following responses to member questions:

- At present only Leckhampton with Warden Hill Parish Council had a Community Resilience Plan. Predominantly these plans were established on a parish or ward basis but that was not to say that they needed to be. It was acknowledged that in urban areas, communities may exist within or across ward boundaries and it was noted that there was no restriction on size. The Local Resilience Forum Community Resilience Group was working with CBC and Gloucester City to address the urban area issue.
- In other District Council's Emergency Planning fell within the portfolio of the Leader of the Council or a Cabinet Member.
- The CPO produced end of year reports which summarised progress against the work plan and SLA. Officers would look at whether this was something that could/should be shared with members.
- CBC were currently reviewing their out of hours arrangements. It would not be appropriate for all members to have contact details for the Duty Officer.
- There was no, set criteria as to what constitutes an incident, it depended on the scale and impact. Any agency within the forum could declare a major incident where they were overwhelmed and their ability to undertake day to day service was compromised.
- The role of the CPT in relation to business continuity was merely to assist the council in producing robust plans, they were not responsible for helping to deal with any disruption. The plan, as members would be aware, prioritised some services. The plans should be easily accessible to all staff.

- Once a major incident is declared a mechanism is in place to ensure that it is communicated to all, including Government and support offered by other agencies.
- The A&E incident at the Gloucester Royal Hospital was a business continuity issue, rather than a major incident and they enlisted the assistance of other NHS providers to address the issue.

There were no resolutions arising from this item.

The Chairman thanked Jessica for her attendance.

### **6. PROGRESS REPORT AND UPDATE (2016-17)**

Sophie Morgan of Grant Thornton, introduced the Audit Committee Progress and Update Report as circulated with the agenda. The paper was tabled at each meeting of the committee and was presented in two parts. Section one outlined Grant Thornton's progress in delivery of their responsibilities and Grant Thornton were on track to begin the final accounts audit on the 3 July 2017, as planned. Section two highlighted reports and national developments which may be of interest to the committee. This included a CIPFA article on 'Pooling of LGPS' which would take effect from the 1 April 2018 and would see Gloucestershire entering into the Brunel scheme and a Grant Thornton report 'The income spectrum' which aimed to give local authorities the tools needed to maximise income generation opportunities, which included Cheltenham as a case study.

Sophie Morgan gave the following responses to member questions;

- Officers would look into why hyperlinks didn't work within the app.
- Sophie Morgan was asked whether she had a view on the pooling of LGPS and replied that she didn't specifically hold an opinion on the matter.

The Chairman, as a member of the Pension Committee, reassured members that the Gloucestershire Pension Fund would continue to be managed and maintained by the Gloucestershire Pension Committee. The Brunel scheme was simply a means of pooling investments, reducing costs through economies of scale and sharing expertise. The Pension Committee would continue to choose which areas it wanted to invest in and whilst there was a considerable cost associated with establishing these pools, the hope was that a better return on investments could be achieved. He also noted that membership of a pool was compulsory, though it had been possible for the administrative authority to choose which it wanted to be part of.

### **7. ANNUAL AUDIT FEE LETTER (2017-18)**

Sophie Morgan referred members to the fee letter which had been sent to the Section 151 Officer in April. The letter set out the proposed work programme and associated fees for the ensuing year (2017/18) of £49,406. The scale fees were set nationally by the Public Sector Audit Appointments Limited (PSAA) and had been set at the same level as the scale fees for 2016/17. She noted that the Housing Benefit Certification fee was yet to be announced and that this would be included in a further letter once it had been confirmed. This letter represented the last fee letter from Grant Thornton under the current 6 year

contract, with the PSAA yet to finalise auditor appointments for principal local government and police bodies.

The following responses were given to member questions;

- She was not aware of a specific reason why the Housing Benefit Certification fee had not been announced, but assured members that it would be communicated to them on a timely basis, once confirmed by PSAA].

There were no resolutions arising from this report.

### **8. AUDIT STANDARDS - COMMUNICATING WITH THE AUDIT COMMITTEE**

In accordance with the International Auditing Standards, Grant Thornton were required to obtain an annual understanding of how those charged with governance had exercised oversight of management's processes for identifying and responding to risks of fraud and the internal control that management had established to mitigate these risks. At Cheltenham, the Audit Committee were 'those charged with governance' and as such a letter had been sent to the Chairman (Councillor Hay) with a set of questions designed to cover the requirements of the auditing standards and it was good practice for the Audit Committee to review and agree the responses made by the Chair on their behalf.

There were no questions in relation to this item but it was noted that there was a reference to March 2016 which needed to be amended to March 2017.

Upon a vote it was unanimously

**RESOLVED that the response, as amended, be approved and signed by the Chairman.**

### **9. INTRODUCTION TO SOUTH WEST AUDIT PARTNERSHIP**

Dave Hill, Executive Director of the South West Audit Partnership (SWAP) introduced himself to the committee and talked through a PowerPoint presentation (Appendix 1). Some of the key points raised included;

- Initially set up as a Joint Committee in 2005 with 2 partners, SWAP now included 13 Districts, 2 Counties and 3 Unitary authorities, as well as 3 Police Forces and 3 Office of Police and Crime Commissioners.
- SWAP was established as a publically owned company limited by guarantee in 2013, wholly owned by the partners (of which CBC was one).
- The Board of Directors met quarterly and officer representatives were often the Section 151 Officers, though it did not need to be.
- The Members Board met bi-annually.
- SWAP chose to be externally assessed every 3 years rather than the 5 year requirement and had thus far had 2 assessments and been found to be fully compliant on both occasions.
- As an organisation, SWAP strived to be innovative and had recently won a Public Finance Award for innovation.

- SWAP estimated to have saved partners in the region of £5.7m since 2005.
- SWAP contribute £150k in top up to the pension scheme and as this was included in the fee that the council paid, it would no longer be included in the accounts.
- 100% of audit plans were delivered, with 95% of those delivered on time and within budget.
- A recent staff survey had achieved 100% return rate.
- 65% of all staff were qualified or undertaking training, and some of those that were not, were admin staff who did not require qualifications to undertake their role.
- Client satisfaction was currently at 88%, though it was felt that this could be higher if the response options were yes/no.
- He noted that he was very pleased with the team that previously formed part of Audit Cotswolds.

In response to member questions the Principal Auditor acknowledged that morale had been affected by the redundancy that took place after the move to SWAP. However, the team were used to working across different authorities and cultures, albeit SWAP is a much larger organisation than they were used to, and staff were still having to get to grips with using the audit software. The Executive Director explained that all staff had to TUPE across before the redundancy could be implemented and this had arisen as a result of staff having been matched to work.

The Executive Director advised that whilst there were some posts which had to deal with contracts across a large geographical area and therefore had to travel, the majority of posts were based at one or between two locations and these poses were advertised locally. In another response to a member question, he accepted that trading companies were able to greatly reduce their internal audit provision and that he had flagged this with the Board as an area of concern.

### **10. INTERNAL AUDIT ANNUAL OPINION**

Jaina Mistry, Principal Auditor, introduced the Internal Audit Annual Opinion. The Annual Opinion, set out at Appendix A, was based on the assessed adequacy of control; based on risk-based audits which had been undertaken during the year and other advice and consultancy work on control systems, as well as the results of any external inspections including the work of the External Auditor. Overall, the opinion was that a 'satisfactory assurance' level could be given for the controls in place, within the audit areas where audit activity had taken place. Of the 60 pieces of work that had been undertaken during 2016-17 only 3 of the 28 assurance pieces of work had resulted in a 'limited assurance'. Executive summaries for those audits that had been concluded since the last committee meeting had been included at Appendix B.

The following responses were given to member questions;

- There were four levels of assurance that could be given under the Annual Audit Opinion; High, Satisfactory, Limited and No, and having had some with 'limited assurance' it had not been possible to give an overall opinion of 'High'.

- SWAP currently used a different set of ratings (Substantial, Reasonable, Partial and None), these would be reviewed for the next annual opinion.
- A session could be arranged to talk members through how the assurance rating was reached.

The Chairman was pleased with the assurance level (Satisfactory) which had been achieved.

Upon a vote it was unanimously

**RESOLVED that the report be noted.**

#### **11. ANNUAL GOVERNANCE STATEMENT**

The Principal Auditor introduced the Annual Governance Statement (AGS) to be approved as part of the annual statement of accounts. The AGS, which the council had a statutory duty to prepare, covered the period for 1 April 2016 and 31 March 2017. The committee needed to satisfy itself that the AGS fairly reflected the arrangements within the Council, and that the suggested action plan would address the significant governance issues identified by the review. In March, assurance certificates and evidence tables were issued to the Directors for completion, with the evidence tables acting as an internal control checklist which confirms and reviews the existence and adequacy of governance and control arrangements and identifies any significant absence of, or weaknesses in, the control. If any of the issues identified are considered to be significant, they are added to Significant Issues Action Plan and five had been included this year; the 3 reviews which were given 'limited assurance', governance arrangements for Publica and the imminent changes to the Data Protection Regulations. The committee were being asked to approve the AGS and recommend that the Leader and Head of Paid Service sign the AGS so that it could be included within the statement of accounts.

There were no questions.

Upon a vote it was unanimously

**RESOLVED that;**

- 1. The Annual Governance Statement be approved**
- 2. The Leader and Head of Paid Service be recommended to sign the Annual Governance Statement so that it can be included within the statement of accounts 2016-17.**

#### **12. REVIEW OF DRAFT ACCOUNTING POLICIES 2016-17**

The Deputy Section 151 Officer introduced the draft accounting policies 2016-17. She explained that Grant Thornton recommended that the Committee review these policies prior to reviewing and signing-off the council's final audit statement of accounts in September, in order that members understand the policies and their application in the statement of accounts. The main change to the previous year was going to be presentational changes in relation to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the introduction of the new Expenditure and Funding Analysis (EFA). The change to the CIES meant that



reportable segments were now based on Directorates. Another change was that any surplus or deficit on overhead and support service accounts arising at the year-end would no longer be reallocated to services, but would instead remain as a support service expenditure or income within the relevant Directorate. It was noted that these changes had not had a material impact on the financial statements or balances of the council and a narrative report to the statement of accounts would provide clarity to readers.

The following responses were given to member questions;

- The inclusion of 2015-16 figures would reassure readers that the figures had remained the same.
- In anticipation of the requirement to complete the final statement of accounts by 31 May in 2018, the finance team had worked to this deadline, this year and had been successful, though lessons had been learned.

Upon a vote it was unanimously

**RESOLVED that the draft accounting policies be noted.**

**13. WORK PROGRAMME**

The work plan had been circulated with the agenda.

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

There were no urgent items requiring a decision.

**15. LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION**

Upon a vote it was unanimously

**RESOLVED that in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 3 and 5, Part (1) Schedule (12A) Local Government Act 1972, namely:**

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

Paragraph 5; Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

**16. TREASURY MANAGEMENT MATTER - PROGRESS UPDATE**

The update was discussed.

**17. DATE OF NEXT MEETING**

The next meeting was scheduled for the 20 September 2017.

Colin Hay  
**Chairman**

# The Audit Findings for Cheltenham Borough Council

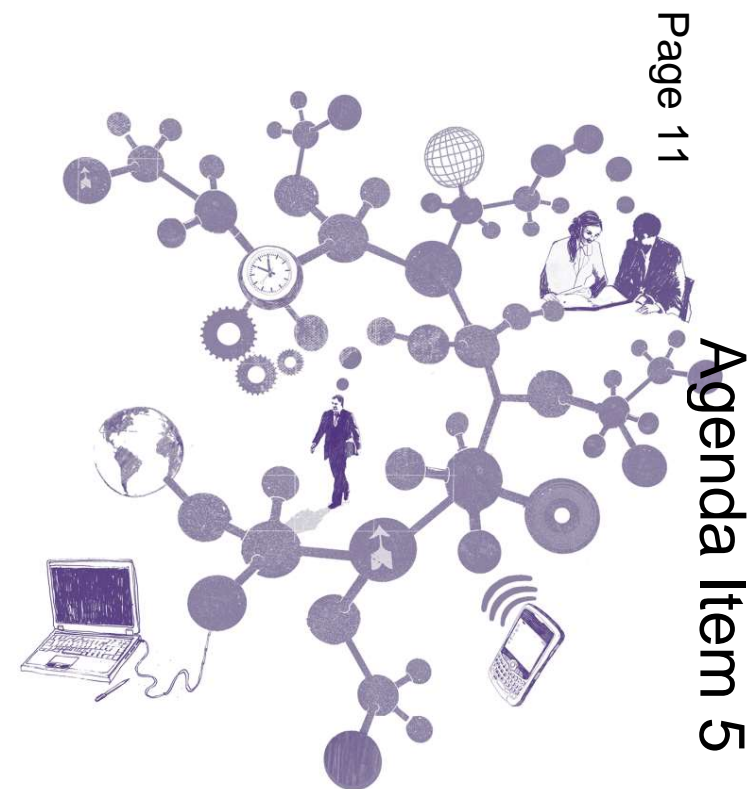
Year ended 31 March 2017

8 September 2017

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8 September 2017

Dear Members of the Audit Committee

**Audit Findings for Cheltenham Borough Council for the year ending 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Cheltenham Borough Council, the Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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 and giving a value for money conclusion. 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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# 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**

## Purpose of this report

This report highlights the key issues affecting the results of Cheltenham Borough Council ('the Council') and the preparation of the Group and Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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 consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated March 2017.

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

- Review of the final version of the financial statements,
- Responses to a number of outstanding queries and completion of final review of these,
- Obtaining and reviewing the management letter of representation; and
- Updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

## Key audit and financial reporting issues

### Financial statements opinion

We have not identified adjustments affecting the Group's reported financial position. The draft financial statements and the final statements for the year ended 31 March 2017 recorded total comprehensive income of £37.479 million. The draft financial statements for the year ended 31 March 2017 were free from material error. We have recommended a number of adjustments to improve the presentation of the financial statements.

### Timing and quality of the draft statements and supporting working papers

The draft financial statements were presented for audit in accordance with our agreed timetable of the end of May 2017. The accounts were supported by good quality working papers. This is a whole month earlier than last year and a year ahead of the statutory timetable change, effective from 2017/18, when all Local Authority draft accounts will need to be presented for audit by 31 May with the auditors work concluded by 31 July.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

## 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:

- Minor IT control weaknesses which we wish to highlight for your attention.
- We reported in our Audit Plan that we had identified that journal entries posted by the Deputy Section 151 Officer were not regularly reviewed. We recommend that all journal entries posted by the Deputy Section 151 Officer be reviewed on a one-up basis by the Section 151 Officer. We confirm that this recommendation has now been implemented.

Further details are provided within section two of this report.



### **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

### **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

### **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to Audit Committee which is due in December 2017.

### **The way forward**

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Section 151 Officer.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Section 151 Officer and the finance team.

### **Acknowledgement**

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**  
**8 September 2017**

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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

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £1,646,000 (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £82,300. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Audit fees	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

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 are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Cheltenham Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Cheltenham Borough Council.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries in months 1-12 and year end adjustments</li> <li>• Review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls.</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.</li> <li>Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any issues in respect of pension fund net liability.</p>
<p><b>Valuation of property, plant and equipment and investment property</b></p> <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate in the financial statements.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>Review of management's processes and assumptions for the calculation of the estimate.</li> <li>Review of the competence, expertise and objectivity of any management experts used.</li> <li>Review of the instructions issued to valuation experts and the scope of their work</li> <li>Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions.</li> <li>Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding.</li> <li>Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register</li> <li>Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.</li> </ul>	<p>Our audit work has not identified any issues in respect of property, plant and equipment and investment property valuation.</p>

## Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>The expenditure cycle includes fraudulent transactions</b></p> <p>Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets.</p>	<p>As set out in the Audit Plan, we do not consider this to be a significant risk for the audit as our experience shows that expenditure is well controlled and monitored.</p>	<p>Our audit work has not identified any issues in respect of expenditure.</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
<p><b>Operating expenses</b></p>	<p>Non-pay expenditure represents a significant percentage of the Council’s gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>• Creditors and accruals understated or not recorded in the correct period</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle</li> <li>• Undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Year end testing of creditor balances and accruals</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Employee remuneration</b></p>	<p>Payroll expenditure represents a significant percentage of the Council’s gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>• Employee remuneration accruals understated</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle</li> <li>• Undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• Trend analysis</li> <li>• Review of the reconciliation of employee remuneration system to the general ledger</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity’s controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

## Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Changes to the presentation of local authority financial statements</b></p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements</li> <li>• Reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure</li> <li>• Reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)</li> <li>• Tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES</li> <li>• Tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger</li> <li>• Tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements</li> <li>• Reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>We identified that the Expenditure and Funding Analysis note has been included in the primary statements section of the Statement of Accounts. We have requested and the Council has updated the draft accounts to clearly identify the EFA as a note to the accounts on the contents page of the Statement of Accounts.</p> <p>No further issues have been identified in relation to this risk.</p>

### Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that the going concern assumption is appropriate for the 2016/17 financial statements.



# 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
Gloucestershire Airport	Yes*	Targeted	<ul style="list-style-type: none"> <li>• Risk of management override</li> <li>• Pension liability valuation</li> <li>• Completeness of operating expenditure</li> <li>• Completeness of employee remuneration expenditure</li> </ul>	Group instructions were issued to the component auditor. We have reviewed the findings of the component auditor and no issues have arisen.	Our audit work has not identified any issues in respect of Gloucestershire Airport.
Cheltenham Borough Homes	Yes	Targeted	<ul style="list-style-type: none"> <li>• Risk of management override</li> <li>• Pension liability valuation</li> <li>• Completeness of operating expenditure</li> <li>• Completeness of employee remuneration expenditure</li> </ul>	Group instructions were issued to the component auditor. We have reviewed the findings of the component auditor and no issues have arisen.	Our audit work has not identified any issues in respect of Cheltenham Borough Homes.

\* In the Audit Plan Gloucestershire Airport was not identified as a significant component. In 2016/17 Gloucestershire Airport commenced reporting under the FRS102 financial reporting framework. This change resulted in a significant increase in the value of the Airport's assets which lead to the Airport now being treated as a significant component of the Group.

# Accounting policies, estimates and 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
<p><b>Revenue recognition</b></p>	<p>Revenue from the 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 conditions of their receipt are met.</p>	<p>The revenue recognition policy and disclosure have been reviewed and are in accordance with the requirements set out in the CIPFA Code of Practice.</p>	<p style="text-align: center;">●</p>
<p><b>Judgements and estimates</b></p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> </ul>	<p>Key judgements relating to useful life of PPE, revaluation, accruals, valuation of pension fund net liability, and NNDR appeals provision are deemed appropriate, and appropriate disclosure of key judgements have been made in the statement of accounts.</p>	<p style="text-align: center;">●</p>

**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	The Section 151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	●
<b>Other accounting policies</b>	We have reviewed the Council's accounting policies against the Code and accounting standards.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	●


**Assessment**

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code 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 not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests for bank and investment balances. This permissions were granted and the requests were sent.</li> <li>We are awaiting one outstanding confirmation (£4m).</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>A number of disclosure issues were identified during the course of the audit. These are discussed later in the report.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<p>We have not identified any issues we would be required to report by exception in the following areas</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The Council does not exceed the specified group reporting threshold and therefore a detailed review of the WGA is not required to be completed.</p>

# Internal controls

	Assessment	Issue and risk	Recommendations
1.	 <b>Deficiency</b>	<ul style="list-style-type: none"> <li>We reported in our Audit Plan that we had identified that journal entries posted by the Deputy Section 151 Officer were not regularly reviewed.</li> </ul>	<ul style="list-style-type: none"> <li>We recommend that all journal entries posted by the Deputy Section 151 Officer be reviewed on a one-up basis by the Section 151 Officer.</li> <li>This recommendation has now been implemented.</li> </ul>

### 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.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control 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. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	In Progress	<p>We reported a number of IT control weaknesses in our 2015/16 Audit Findings Report and made the following recommendations:</p> <p>Management should</p> <ul style="list-style-type: none"> <li>• Review all user access based on segregation of duties principles.</li> <li>• Restrict administration duties to the independent system administration team and ICT.</li> <li>• Remove elevated access from those that have responsibility for functional and operational management of financial services, HR and Payroll.</li> <li>• Restore service processes to system accounts only</li> <li>• Implement a risk based security log review process with independent review.</li> <li>• Ensure an effective change management procedure is implemented to review system changes processed.</li> </ul>	<ul style="list-style-type: none"> <li>• A review of the Agresso Business World (ABW) system is currently being undertaken as part of the move towards GO Shared Services forming part of Publica and becoming operational in 2017.</li> <li>• Officers have confirmed that our recommendations from 2015/16 have been used to inform the project plan for developing the ABW system. The build of the new Publica client in ABW is nearing completion in preparation for the new company becoming operational.</li> <li>• Once the Publica client has been successfully tested, the experience will be used to make the necessary changes within the Council’s ABW client to address the recommendations raised in 2015/16.</li> </ul>

## Unadjusted misstatements

We have not identified any adjustments identified during the audit which have not been made within the final set of financial statements.

## Adjusted misstatements

We have not identified any adjustments to the draft accounts during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassifications and 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	2	Note 16 – External Audit Costs	The draft accounts did not disclose £2,291 of non audit fees incurred. The fees are for CFO Insights and VAT Helpline.
2 Disclosure	313	Note 12 – Officers’ Remuneration	The draft accounts omitted the 2015/16 remuneration details for the Chief Executive/Head of Paid Service. Explanation should be added to clarify the change in role between 2015/16 and 2016/17.
3 Disclosure	(3,621)	Note 18 – Property, plant and equipment	The draft accounts incorrectly stated the 2015/16 ‘Derecognition – other’ as Nil.
4 Disclosure	(944)	Note 26 – Financial Instruments	The draft accounts incorrectly stated the fair value of Long term debtors – loans and receivables as £10,971k. This should be stated as £10,027k.
5 Disclosure	-	Various	There were a number of other minor presentational adjustments made to improve the quality of disclosures in the accounts.



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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non-audit services and independence

05. Communication of audit matters

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in February 2017 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

### Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was:

- The Council's medium term strategy (see findings on page 26)

In addition we reviewed the financial outturn position for 2016/17 to inform our VFM conclusion.

#### Financial Outturn 2016/17

The Council have been required to deliver substantial savings since 2010/11, and forecast continued significant savings requirements going forward.

The Council manages its finances well and has a good track record of achieving its financial plans including a small underspend in 2016/17.

The current MTFS includes a balanced position for 2017/18, but includes a number of unidentified savings over the period to 2019/20.

It was identified that there is a cumulative shortfall in the savings plans of £436k to 2019/20.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 26-27.

### Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

### Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement as follows.

- At as December 2016 there was a cumulative shortfall in the savings plans of £436k, mostly in 2018-19. The shortfall mostly arose as a result of the New Homes Bonus settlement in December 2016 which was £381k less than forecast. The gap had only recently opened, and the Council have since identified a number of savings strategies to close this gap. The Council currently has a balanced budget to 2019-20, however the achievement of the balanced budget is dependent on a number of red-rated savings in 2019-20. We recommend that management continue to monitor high risk savings within the balanced budget.
- In order to set a balanced budget for 2017/18, the Council plans to use of £882k of its Budget Strategy (Support) reserve. This reserve was created in October 2015 specifically for future challenges around budget setting. We recommend that management continue to monitor the use of reserves when budget setting to ensure that into the medium term dependency on reserves is reduced.

Management's response to these can be found in the Action Plan at Appendix A.

### Key findings

We set below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
<p><b>Medium term financial strategy</b> The Council have been required to deliver substantial savings since 2010/11, and forecast continued significant savings requirements going forward. The current MTFS includes a balanced position for 2017/18, but includes a number of red-rated savings over the period to 2019/20.</p>	<ul style="list-style-type: none"> <li>We considered 2016/17 performance against savings plans</li> <li>We carried out a review of the Medium Term Financial Strategy, including the assumptions that underpin the savings plans</li> <li>We considered how savings are identified and monitored to ensure that they support the delivery of budgets</li> <li>We considered the use of reserves in 2017/18 to reach the balanced budget</li> </ul>	<p>Our detailed review of the assumptions underpinning the MTFP concludes that they are satisfactory and reasonable, and the Council has a strong track record of delivering balanced budgets and the in year required savings.</p> <p>Savings for 2016/17 have been achieved, with a projected underspend of £110k (against revised budget, following the December 2016 settlement) for the full year 2016/17, and an actual budget saving, after carry forward requests, of £571k against the revised budget. This saving has been transferred to the Budget Strategy (Support) Reserve pending decisions over its use in 2017/18 and future years.</p> <p>Savings are built into base budgets, and are therefore monitored through the variances reported in quarterly revenue budget monitoring. The savings for 2017/18 have been identified and can be attributed to specific plans, such as the one-off payment holiday on the Voluntary Revenue Provision and the use of reserves to support the balanced budget.</p> <p>Discussions were undertaken with the Deputy S151 officer as to how savings are monitored. The monitoring process appears adequate; we noted that as at December 2016 there was a cumulative shortfall in the savings plans of £436k, mostly in 2018-19. The shortfall mostly arose as a result of the New Homes Bonus settlement in December 2016 which was £381k less than forecast. The gap had only recently opened, and the Council have since identified a number of savings strategies to close this gap. The Council currently has a balanced budget to 2019-20, however the achievement of the balanced budget is dependent on a number of red-rated savings in 2019-20.</p> <p>We considered the use of the Budget Strategy Support Reserve to deliver financial balance in 2017/18. This is part of the Council's medium term strategy and has been appropriately considered by the S151 officer and approved by Council and Cabinet.</p> <p><b>We concluded that the risk was sufficiently mitigated and the Council has proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities.</b></p> <p><b>We have made two recommendations in relation to the Council's savings plan at Appendix A.</b></p>

**Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

**Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

**Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We confirm below our final fees charged for the audit and provision of non-audit services.

### Fees

	Proposed fee £	Final fee £
Council audit	49,406	49,406
Grant certification	9,015	TBC
<b>Total audit fees (excluding VAT)</b>	<b>58,421</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

### Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

### 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 Auditing Practices Board's Ethical Standards and 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.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

### Fees for other services

Service	Fees £
<b>Non-audit services</b>	
• CFO Insights subscription *	1,875
• VAT and Employment Tax support *	417
• Investors in People Accreditation	4,279
<b>Non Audit Services</b>	<b>6,571</b>
<b>Audit related services</b>	
• Certification (Pooled Receipts)	TBC
<b>Audit related Services</b>	<b>TBC</b>

\* The services listed above are provided to the Go Shared Services partners. The amount disclosed above is the actual element which relates to Cheltenham Borough Council

# Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place. Please note the figures disclosed below have been updated from the figures reported in our Audit Plan.

	Service provided to	Fees	Threat?	Safeguard
<b>Audit related services</b>				
Certification (Pooled Receipts)	Cheltenham Borough Council	TBC	No	Assurance Report on the quarterly Pooling of Housing Capital Receipts, specified by the DCLG. The fee will not be material to the audit. The scope of the work does not include making decisions on behalf of management.
<b>Non-audit services</b>				
CFO Insights subscription	Go Shared Services (Cheltenham Borough Council)	£1,875*#	No	We have provided subscription services only; any decisions are made independently by the Council. The work is undertaken by a team independent to the audit team.
VAT and Employment Tax Support	Go Shared Services (Cheltenham Borough Council)	£417*	No	We have provided advisory services only; any decisions are made independently by the Council. The work is undertaken by a team independent to the audit team.
Investors in People Accreditation	Cheltenham Borough Council	£4,279	No	The audit team will not be involved in the IIP Accreditation process. The work is undertaken by a team independent to Grant Thornton and the audit team. The fee is not material to the audit. The scope of the work does not include making decisions on behalf of management but is providing an assessment against a third party national accreditation framework.
	<b>TOTAL</b>	<b>£6,571</b>		

- \* The services listed above are provided to the Go Shared Services partners. The amount disclosed above is the element which relates to Cheltenham Borough Council.
- # Go Shared Services subscribed to this service from 1 October 2016. This is the cost of the service for the six months October 2016 to March 2017
- The VAT and Employment Tax Support service disclosed above related to the period 1 April 2016 to 31 March 2017. Ethical standards applicable from the 1 April 2017 mean that this is now a blacklisted service and will be discontinued in future periods. The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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 42
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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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# Appendices

- A. Action Plan
- B. Audit Opinion

# A. Action plan

## Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	The Council should implement the recommendations arising from our 2015/16 IT review as set out on page 20.	Medium	The Auditors recommendations have been used to inform the project plan for developing the Business World system. The build of the new "Publica" client in Business World is nearing completion in preparation for the new company becoming operational. Once the Publica client has been successfully tested, the experience will be used to make the necessary changes within the Council's Business World client to address the auditor's recommendations.	On-going Business World system
2	At as December 2016 there was a cumulative shortfall in the savings plans of £436k, mostly in 2018-19. The shortfall mostly arose as a result of the New Homes Bonus settlement in December 2016 which was £381k less than forecast. The gap had only recently opened, and the Council have since identified a number of savings strategies to close this gap. The Council currently has a balanced budget to 2019-20, however the achievement of the balanced budget is dependent on a number of red-rated savings in 2019-20. We recommend that management continue to monitor high risk savings within the balanced budget.	Medium	Management continue to monitor all savings targets at least monthly. A member of the Executive Management Team and a member of the Cabinet have been nominated as leads for each work-stream. Updates are provided to both the Senior Leadership Team and the Cabinet via a monthly highlight report which is populated by the Executive Management Team on a monthly basis.	On-going Executive Board
3	In order to set a balanced budget for 2017/18, the Council plans to use of £882k of its Budget Strategy (Support) reserve. This reserve was created in October 2015 specifically for future challenges around budget setting. We recommend that management continue to monitor the use of reserves when budget setting to ensure that into the medium term dependency on reserves is reduced.	Medium	Under Section 25 of the 2003 Local Government Act, there is a legal requirement for the Section 151 Officer to make a report to the authority when it is considering its budget, covering the robustness of estimates and adequacy of reserves. The Act requires councillors to have regard to the report in making decisions at the Council's budget and council tax setting meeting. The Section 151 Officer will continue to monitor the use and adequacy of reserves and as a minimum will report to Full Council through the budget setting process and as part of the financial out-turn report.	On-going Chief Finance Officer

### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

## A. Action plan (continued)

### Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
4	We reported in our Audit Plan that we had identified that journal entries posted by the Deputy Section 151 Officer were not regularly reviewed.	Medium	This recommendation has now been implemented.	June 2017 Chief Finance Officer

### Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

# B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

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

We have audited the financial statements of Cheltenham Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Movement in Reserves Statement, the Group Movement in Reserves Statement, 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 Statement 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's 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 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards 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 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 Narrative Report and the Annual Governance Statement 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 present a true and fair view of the financial position of the Authority and Group as at 31 March 2017 and of the Authority's and Group's expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

## Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

**Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report on the above matters.

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

**Respective responsibilities of the Authority and auditor**

The Authority is responsible for putting in place proper arrangements for securing 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements for securing economy, efficiency and effectiveness in its 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 issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that 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 2017.

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 has put in place proper arrangements for securing 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 issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Certificate**

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

*Signature to be added*

Peter Barber  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

[Date]



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## Cheltenham Borough Council

### Audit Committee - 20 September 2017

#### Statement of Accounts 2016/17 Report of the Section 151 Officer

<b>Accountable member</b>	Cabinet Member Finance, Rowena Hay
<b>Accountable officer</b>	Section 151 Officer, Paul Jones
<b>Accountable scrutiny committee</b>	Audit Committee
<b>Ward(s) affected</b>	All
<b>Significant Decision</b>	Yes
<b>Executive summary</b>	The purpose of this report is to present the audited Statement of Accounts 2016/17 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>	<ul style="list-style-type: none"> <li>a) Audit Committee is requested to formally approve the accounts for the year ended 31<sup>st</sup> March 2017.</li> <li>b) The Chair of the Audit Committee is recommended to sign the Statement of Accounts and the letter of representation.</li> </ul>

<b>Financial implications</b>	<p>As included in Appendix 1 –Statement of Accounts 2016/17.</p> <p><b>Contact officer: Sarah Didcote</b>  <b>E-mail: <a href="mailto:sarah.didcote@cheltenham.gov.uk">sarah.didcote@cheltenham.gov.uk</a></b>  <b>Tel no: 01242 264125</b></p>
<b>Legal implications</b>	<p><i>This report adopts relevant guidance issued in the Accounts and Audit Regulations 2003 and 2011.</i></p> <p><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></p>
<b>HR implications (including learning and organisational development)</b>	<p><i>None</i></p> <p><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></p>
<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 require the council to prepare an annual statement of accounts by 30th 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. Council has delegated authority to the Audit Committee to review and approve the audited statement of accounts.
- 1.3 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.
- 1.4 The 'Audit Findings' report from Grant Thornton to this meeting highlights any key changes to the original draft accounts presented for audit.

## 2. Background

- 2.1 The draft Statement of Accounts for 2016/17 was signed by the Section 151 Officer on 31st May 2017, with the work completed one month earlier than the statutory deadline of 30<sup>th</sup> June 2017. The earlier deadline was achieved in readiness for the new earlier deadline of 31<sup>st</sup> May 2018 for 2017/18 draft Statement of Accounts, onwards. The public inspection period operated from 5th June to 14th July 2017 and a public notice to that effect was publicised on the Council's website.
- 2.2 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 will issue a 'Report to those charged with governance (ISA 260) for 2016/17', which is anticipated to give the Statement of Accounts an unqualified audit opinion.

## 4. Reasons for recommendations

- 4.1 The Council is required to formally approve its audited Statement of Accounts by 30<sup>th</sup> September 2017. 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 2016/17 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. Letter of representation**

**5.1** As part of the approval process for the Statement of Accounts, the Council is required to provide a Letter of Representation to the external auditor. This is to confirm or notify any material factors that could affect the auditor's view of the accounts since formal closure at 31st March 2017.

**5.2** Note 31 outlines contingent liabilities; these are issues that currently exist but had not materialised by 31st March 2017. As Section 151 Officer I can confirm there has been no resolution to date of these matters, nor any other changes that I need to report to the external auditor.

**5.3** It is seen as best practice for both the Section 151 Officer and the Chair of the Audit Committee to sign the Letter of Representation. A copy of this letter is given at Appendix 2 to this 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>	1. Statement of Accounts 2016/17 (to follow) 2. Letter of representation
<b>Background information</b>	<ul style="list-style-type: none"><li>• External Audit Working paper files 2016/17</li><li>• Code of Practice on Local Authority Accounting in the UK 2016/17 Accounts</li><li>• Service Reporting Code of Practice 2016/17</li><li>• Ledger records for 2016/17.</li></ul>

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## CHEL TENHAM BOROUGH COUNCIL

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

20 September 2017

Dear Sirs

### **Cheltenham Borough Council Group Financial Statements for the year ended 31 March 2017**

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 1 of this letter, for the year ended 31 March 2017 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 International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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:

#### **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 2016/17 ("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 and parent Council 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.
- 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.

## Page 54

- 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 assets and 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 and parent Council financial statements and for which the Code requires 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.
- xii We have considered the adjusted disclosures changes schedule included in your Audit Findings Report. The group and parent Council financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- xiii The group and parent Council financial statements are free of material misstatements, including omissions.
- xiv 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.
- xv We believe that the group and parent Council's 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 group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xvi 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
  - c unrestricted access to persons within the group and parent Council from whom you determined it necessary to obtain audit evidence.

- xvii We have communicated to you all deficiencies in internal control of which management is aware.
- xviii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xix 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.
- xx 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 group and parent Council financial statements.
- xxi 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.
- xxii 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 the group and parent Council's financial statements.
- xxiii We have disclosed to you the identity of all the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv 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**

- xxv 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.

### **Narrative Report**

- xxvi The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

**Approval**

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 20 September 2017.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council



### Cheltenham Borough Council Audit Committee – 20 September 2017 Internal Audit Monitoring Report

<b>Accountable member</b>	Cabinet Member Corporate Services, Councillor Roger Whyborn
<b>Accountable officer</b>	Section 151 Officer, Paul Jones
<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 the South West Audit Partnership (SWAP), 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>	<p><b>The Audit Committee considers the monitoring report and makes comment on its content as necessary</b></p> <p><b>That the Internal Audit Charter be approved</b></p>
<b>Financial implications</b>	<p><b>There are no financial implications</b></p> <p><b>Contact officer: Sarah Didcote, GOSS Business Partner Manager</b> <a href="mailto:sarah.didcote@cheltenham.gov.uk">sarah.didcote@cheltenham.gov.uk</a> 01242 264125</p>
<b>Legal implications</b>	<p><b>No response received</b></p> <p><b>Contact officer: Peter Lewis, Head of Legal Services, One Legal</b> <a href="mailto:peter.lewis@tewkesbury.gov.uk">peter.lewis@tewkesbury.gov.uk</a>, 01684 272012</p>
<b>HR implications (including learning and organisational development)</b>	<p><b>No response received</b></p> <p><b>Contact officer: Julie McCarthy</b></p>
<b>Key risks</b>	That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.

<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> 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><b>Contact officer: David Roberts@cheltenham.gov.uk</b></p>

**1. Background**

- 1.1 The Annual Audit Plan 2017/18 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 This report highlights the work completed by Internal Audit and provides comment on the assurances provided by this work.
- 2.2 The Internal Audit Charter 2017 defines the nature, role and responsibilities of Internal Audit within Cheltenham Borough Council and needs to be approved by this Committee.

**3. Internal Audit Output**

- 3.1 The Internal Audit Partnership (Audit Cotswolds) transferred to the South West Audit Partnership (SWAP) under the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) on 1<sup>st</sup> April 2017
- 3.2 Since the Committee’s last Meeting, the Internal Audit Service has completed the 2016/17 Internal Audit Annual Plan, and work is progressing on the 2017/18 Annual Plan. Details of progress against the 2017/18 plan have been included at **Appendix 1**.
- 3.3 The Audit Team has received training on MKInsight, the audit management software use by SWAP. The Team is conducting audits and producing reports using MKInsight.

**4. The Internal Audit Charter**

- 4.1 Due to the change in the Internal Audit provider, a new Internal Audit Charter has been provided by SWAP. This is included at page 11 of **Appendix 1** to this report.
- 4.2 The Charter demonstrates how the service will operate, and forms part of the requirements of the Public Sector Internal Audit Standards.
- 4.3 The Charter provides guidance on authority, accountability, customer care (quality control), independence, reporting, responsibility and audit standards.

<b>Report author</b>	<b>Lucy Cater, Assistant Director, South West Audit Partnership</b> <b>Lucy.cater@cotswold.gov.uk</b> <b>01285 623340</b>
<b>Appendices</b>	1. SWAP Report of Internal Audit Activity, including the Internal Audit Charter

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# Cheltenham Borough Council

Report of Internal Audit Activity

Plan Progress 2017/2018

Internal Audit Charter 2017

September 2017

## Contents

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## Internal Audit Plan Progress 2017/2018

Our audit activity is split between:

- **Governance Audit**
- **Operational Audit**
- **Key Control Audit**
- **IT Audit**
- **Other Reviews**



### Role of Internal Audit

The Internal Audit service for Cheltenham Borough Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter. A copy of the latest document is attached at Appendix D for approval by the Audit Committee at this meeting.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Governance Audits
- Operational Audits
- Key Financial System Controls
- IT Audits
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Council's Management Team. The 2017/18 Audit Plan was reported to, and approved by, Audit Committee at its meeting in March 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Internal Audit Plan Progress 2017/2018

### Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action



### Internal Audit Work

The schedule provided at **Appendix A** contains a list of all audits as agreed in the Annual Audit Plan 2017/18. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix B** of this document.

As is shown in **Appendix A** good progress is being made on the 2017/18 audit plan.

As agreed with this Committee where a review has a status of ‘Final’ we will provide a summary of the work and further details to inform Members of any key issues, if any, identified.

We have finalised one 2017/18 audit review and completed the Annual Governance Statement for 2016/17 since the last meeting of this Committee. I am pleased to report that the audit review has not returned an adverse audit opinion of either ‘No Assurance’ or ‘Partial’ Assurance. Further to this, the review has not identified any significant risks that I need to bring to your attention. Further information on the finalised review can be found within **Appendix C**.



## Internal Audit Plan Progress 2017/2018

We keep our audit plans under regular review to ensure that we audit the right things at the right time.



### Approved Changes to the Audit Plan

The audit plan for 2017/18 is detailed in **Appendix A**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Cheltenham Borough Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer.

There has been one change made to the plan, the scope of the Equalities and Diversity Audit is now an advisory review rather than a risk based audit.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
<b>FINAL</b>											
Governance, Fraud & Corruption	Annual Governance Statement (for year 2016/17)	Q1	Complete	Satisfactory							
Operational	Grant Payments to Third Parties	Q1	Final	Substantial	2			2			See Appendix C
<b>DRAFT</b>											
Key Control	Treasury Management and Bank Reconciliations	Q2	In Progress								
<b>IN PROGRESS</b>											
Governance, Fraud & Corruption	Risk Management	Q2	In Progress								
Operational	Ubico Recyclates	Q2	In Progress								
Operational	Ubico Data Monitoring	Q2	In Progress								
Operational	S106 Agreements and Funds	Q2	In Progress								
Key Control	Accounts Payable (Creditors)	Q3	Testing Started								
Key Control	Payroll	Q3	Testing Started								

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
ICT	EU General Data Protection Regulations	Q2	In Progress								
<b>NOT STARTED</b>											
Key Control	Main Accounting, Budgetary Control and Capital Accounting	Q3									
Key Control	Accounts Receivable (Debtors)	Q3									
Key Control	Business World System Administration	Q3									
Key Control	Human Resources	Q3									
Key Control	Other GOSS Area (Procurement / Insurance / H&S)	Q3									
Key Control	Council Tax Benefit	Q3									
Key Control	Council Tax	Q3									
Key Control	NNDR	Q3									
ICT	Public Services Network Submission	Q3									
Governance, Fraud & Corruption	Audit Committee Effectiveness (Annual)	Q4									
Governance, Fraud & Corruption	Performance Management	Q4									

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Operational	MTFS	Q4									
Operational	Elections	Q4									
Operational	Damages Recovery	TBC									
Key Control	IR35	Q4									
Key Control	Serious and Organised Crime Checklist	Q4									
Key Control	Serious and Organised Crime Audit	Q4									
Key Control	Fighting Fraud and Corruption	Q4									
ICT	Protection from Malicious Code	TBC									
ICT	Device Strategy	TBC									
ICT	ICT	TBC									
ICT	ICT Policies	TBC									
<b>ADVICE AND CONSULTANCY</b>											
Non Opinion	2020 Vision Programme	Ongoing									
Non Opinion	Cemetery and Crematorium Development	Ongoing									
Advice	Ubico	Ongoing									

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Advice	Leisure and Culture Trust	Ongoing									
Advice	Parking Strategy	Ongoing									
Advice	Revised Arrangements for S151 Officer Role	TBC									
Advice	Change Programmes	Ongoing									
Advice	Equality and Diversity	Ongoing									Scope changed from a Risk Based Audit to an Advice piece of work
<b>OTHER INTERNAL AUDIT INVOLVEMENT</b>											
Advice	Management	Ongoing									
Follow Up	Safeguarding	TBA									
Follow Up	2016/17 Follow Up Reviews	Ongoing									
	Contingency Days	Ongoing									
<b>DROPPED</b>											

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At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Partial
- No Assurance

<b>Substantial</b>	▲ ★ ★ ★	We are able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲ ★ ★ ★	We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ ★ ★	We are able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>No Assurance</b>	▲ ★ ★ ★	We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.



Audit Framework Definitions

**Categorisation of Recommendations**

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

**Definitions of Risk**

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management and the Audit Committee.

Summary of Audit Assignments Finalised since the last Audit Committee

**Audit Assignments finalised since the last Audit Committee:**



**Summary of Audit Findings and High Priority Service Findings**

The following information provides a brief summary of each audit review finalised since the last Committee update.

**Grants to Third Parties – Substantial Assurance**

As part of the 2017/2018 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Grant Payments made by Cheltenham Borough Council.

The Council awards grants on an annual basis to community-led groups / projects that will enhance and improve the local neighbourhood. The Community Pride scheme is one such scheme that has been operating since 2007. In 2015/2016, 19 projects were awarded a total of £33,433 and in 2016/2017, £29,291 was awarded to 16 projects via the scheme. This review is a high-level review focussing on the robustness of controls for the administration and reporting of these grant payments.

A previous audit undertaken in 2013/2014 recognised processes needed to be enhanced to ensure data integrity. This review has found the recommendation has been implemented and controls have been strengthened to ensure that Council grants are effectively administered. We are able to offer a ‘substantial’ level of assurance for the areas covered within this review.



## Internal Audit Charter

### Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within Cheltenham Borough Council and to outline the scope of internal audit work.

### Approval

This Charter is to be approved by the Audit Committee on 20<sup>th</sup> September 2017 and is reviewed each year to confirm it remains accurate and up to date.

### Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Member's Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Member's Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by Chief Financial Officer in consultation with the Chief Executive for SWAP.

### Role of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

### Responsibilities of Management and of Internal Audit

#### *Management*

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Head of Paid Service and the Audit Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

### **Internal Audit**

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. Members of SWAP who have transferred in to the department from other areas of the Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

### **Relationship with the External Auditors/Other Regulatory Bodies**

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

### **Status of Internal Audit in the Organisation**

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Member's Meeting. The Chief Executive of SWAP and the Assistant Director also report to the Section 151 Officer, and reports to the Audit Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

### **Scope and authority of Internal Audit work**

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of Cheltenham Borough Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether Cheltenham Borough Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services provided:
  - the internal auditors independence is not compromised
  - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
  - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
  - management understand that the work being undertaken is not internal audit work.

**Planning and Reporting**

SWAP will submit to the Audit Committee, for information, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the council expect to face in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed with the S 151 Officer on a quarterly basis to ensure it remains current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least two times a year to the Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the relevant Strategic Director and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the Assistant Director have the unreserved right to report directly to the Leader of the Council, The Chairman of the Audit Committee, the Head of Paid Service or the External Audit Manager.

Revised August 2017

**Cheltenham Borough Council**  
**Audit Committee – 20 September 2017**  
**Counter Fraud Unit Report and**  
**Council Tax, Housing Benefit and Council Tax Support**  
**Penalty and Prosecution Policy**

<b>Accountable Member</b>	Cabinet Member Corporate Services, Councillor Roger Whyborn
<b>Accountable Officer</b>	Paul Jones Chief Finance Officer <a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a>
<b>Report Author</b>	Emma Cathcart Counter Fraud Manager 01285 623356 <a href="mailto:Emma.Cathcart@cotswold.gov.uk">Emma.Cathcart@cotswold.gov.uk</a>
<b>Ward(s) affected</b>	All indirectly
<b>Key/Significant Decision</b>	No
<b>Executive summary</b>	<p>The purpose of the report is to provide the Audit Committee with assurance over the counter fraud activities of the Council.</p> <p>Work plans for 2017/2018 have been agreed with the Chief Finance Officers and Senior Leadership Team. Work is now underway. The Audit Committee is asked to consider and comment on the work plan as the body charged with governance in this area.</p> <p>The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually.</p> <p>This report also presents Audit Committee with a draft Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy, on behalf of the Revenues and Benefits Teams and as part of the consultation process. The policy will assist with decision making in the application of appropriate sanctions and provide a uniform basis for action across the County.</p>
<b>Recommendations</b>	<p><b>That the Audit Committee:</b></p> <ul style="list-style-type: none"> <li>a) <b>Notes the work plan and comments as necessary.</b></li> <li>b) <b>That the Audit Committee consider the Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy to comment thereon to Cabinet, to aid its deliberations and decision making.</b></li> </ul>

<p><b>Financial implications</b></p>	<p>The report details financial savings generated by the Counter Fraud Unit.</p> <p>The Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy will generate fines for further prevention work.</p> <p><b>Contact Officer: Paul Jones, S151 Officer</b>  <a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a></p>
<p><b>Legal implications</b></p>	<p>The legislation to be utilised by the Counter Fraud Unit and other service areas within the Council is identified within the Policy.</p> <p>In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.</p> <p><b>Contact officer: Vikki Fennell, One Legal</b>  <a href="mailto:Vikki.Fennell@tewkesbury.gov.uk">Vikki.Fennell@tewkesbury.gov.uk</a></p>
<p><b>HR implications (including learning and organisational development)</b></p>	<p>The work plan at Appendix 2 outlines various employee training sessions that managers will need to release employees to attend.</p> <p>The plan also outlines a need to engage with HR on with reference to internal investigations, the disciplinary referral process and the process for staff declaration forms.</p> <p>Any changes to the above will also need to be cascaded to managers and employees.</p> <p><b>Contact officer: Julie McCarthy, Strategic HR Manager</b>  <a href="mailto:julie.mccCarthy@cheltenham.gov.uk">julie.mccCarthy@cheltenham.gov.uk</a> 01242 264355</p>
<p><b>Key risks</b></p>	<p>If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.</p> <p>The Council requires a Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy to ensure legislative powers and regulations are applied fairly and in accordance with the law.</p>
<p><b>Corporate and community plan Implications</b></p>	<p>In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.</p>
<p><b>Environmental and climate change implications</b></p>	<p>N/A</p>
<p><b>Property/Asset Implications</b></p>	<p>There are no property implications associated with this report.</p> <p><b>Contact officer: David Roberts, Head of Property Services</b>  <a href="mailto:david.roberts@cheltenham.gov.uk">david.roberts@cheltenham.gov.uk</a></p>

1. BACKGROUND

**Counter Fraud Unit Report and Work Plan 2017/2018**

- 1.1. The Unit is working directly on behalf of all the Gloucestershire Authorities, West Oxfordshire District Council and other public sector bodies such as Cheltenham Borough Homes and other housing associations.
- 1.2. The Unit is also developing joint working practices with other public sector bodies including Trading Standards, the Police and NHS Services.
- 1.3. The work plan for 2017/2018 has been agreed; **Appendix 2**. The team will be concentrating on adding value in areas associated with risk. A full work plan is being provided to Audit Committee to consider and comment thereon, and a review and update report will be presented at future meetings.
- 1.4. The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually, for Cheltenham Borough Council this will be at the September and March meetings. The Audit Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to such activity.
- 1.5. Since the start of the financial year, the team have supported the Council in the following areas:
  - Assisting with 1 internal investigation of a Council Officer.
  - Undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support) and Council Tax liability. There are currently 31 active cases. The team have opened 16 cases and closed 18 cases since 1 April 2017.

This has resulted in an amount exceeding £19,000 of recoverable Council Tax Support being calculated and in addition overpayments of Housing Benefit exceeding £78,000. There has been one successful prosecution. The defendant was fined £200 and costs of £125 were awarded. In addition he has repaid the £4000 Council Tax owed. There has been one Caution given. There has been one Penalty administered; the fine being £1000.
  - Proactive work in relation to debt recovery:
    - 7 summonses have been served in relation to unpaid debt.
    - Assistance in relation to the tracing of individuals and enforcement of an unpaid Council Tax debt totalling £4,000 which has been repaid in full.
    - Referral of £17,400 debt prior to write off for a final trace check resulted in £11,600 being recovered and a further £5,000 being repaid via a payment plan (January 2017 to March 2017).
  - Review of site / premises / property anomalies on behalf of the Spatial Information Team, ICT to inform the Local Land and Property Gazetteer.
  - Review of the Disabled Facilities Grant Process and Procedures. Report issued to the Director of Environment.
  - Work with Cheltenham Borough Homes has resulted positive results:
    - The prevention of right to buy and the recovery of properties for various reasons (abandonment, illegal succession etc). Of note is the recent prosecution of a tenant's relative at Crown Court – she received a 10 month suspended sentence and was ordered to pay £25,000 costs.
    - A review of the housing list; 663 applications has resulted in 258 applications being referred back for further checks. As at the time of writing, 17 applications

have been removed from the list and 3 cases have been identified as possible fraudulent applications.

- The Tenancy Fraud Investigation Officers also identify Council Tax discount issues and the location of debtors as a result of this work. An alleged House of Multiple Occupation was identified and referred to REST in advance of the changes in the legislation (from three storey accommodation to any accommodation).
- A homeless check (CFU now verifying 100%) has resulted in a Hazard Awareness Notice being issued to an address. Referred to Housing Enforcement who passed to the Fire Service and action taken. A case has been identified as a possible fraudulent application.

**Council Tax, Housing Benefit, Council Tax Support Penalty and Prosecution Policy**

- 1.6.** The Counter Fraud Unit are undertaking a review of a number of Policies and Procedures, in support of each service area, to enable criminal investigations to be legally undertaken and appropriate sanctions to be applied. This Policy has been requested for use within the Revenues and Benefits Teams, **Appendix 3**.
- 1.7.** The Policy is being introduced and it replaces the Housing and Council Tax Benefit Sanctions Policy dated March 2010, **Appendix 4**. The recommended Policy has been drafted for all participants in the Counter Fraud Unit and will provide consistency to the application of penalties and prosecution across the county.
- 1.8.** It should be noted that legislation outlines that to incur a Civil Penalty for a Housing Benefit overpayment, the value needs to exceed £250 however the draft Policy attached details that for decisions at Cheltenham Borough Council, this figure will be £1000. It can be amended in line with local decision making.
- 1.9.** The Policy was drafted on behalf of a number of Gloucestershire Authorities and Senior Leadership / Management Teams and One Legal have been consulted.
- 1.10.** It should be recognised that the Counter Fraud Unit and the service provision it provides is a partnership, so co-ordinating policy across multiple organisations is critical to the success of the partnership.

**2. MAIN POINTS**

- 2.1.** The Audit Committee is asked to consider the work plan and comment as necessary.
- 2.2.** The Audit Committee is asked to consider the Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy and to provide comments thereon to the Cabinet, to aid its deliberations in the future.

<b>Appendices</b>	<ul style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Work Plan 2017 / 2018</li><li>3. Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy</li><li>4. Housing and Council Tax Benefit – Sanctions Policy March 2010</li></ul>
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The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	The authority suffers material loss and reputational damage due to fraud	Chief Finance Officer	December 2014	3	3	9	Reduce	Maintain a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	Ongoing	Chief Finance Officer	
2	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	Chief Finance Officer	September 2016	3	4	12		Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Ongoing	Chief Financial Officer	
<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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Operational	CBC
Earthlight (NNDR/CTAX)	Assist Spatial Information Team to create accurate data set / develop data matching capability; Quarter 1 - 4
Revenues – NNDR Valuation List Verification	2 weeks per Quarter (JG)
Revenues – NNDR (empty's and exempt)	Quarter 2 (JG)
Revenues – CTAX SPD review	Non-returns review Quarter 2 (JG) CTRS / SPD List Quarter 1 (JG)
Revenues – CTAX other discount / exemptions review	Process in place; return to JG for random check ref students Quarter 4
Benefits – CTRS Investigation, Sanction and Prosecution	Quarter 1 – 4
Benefits – SPOC for SFIS DWP	Quarter 1 – 4
Benefits – General Visits	Process in place (JG)
Housing – Review Emergency, Gold and Silver Applications / List	Quarter 1 - 4
Housing – Private Rental Loans Review	Review process with MS
Planning – Enforcement	MR mtg (POCA, CPIA, PACE support)
Environmental / Regulatory – Enforcement (General)	MR / SC / LK mtg
Environmental / Regulatory – Enforcement (Proactive)	MR / SC / LK mtg
NFI	Creditors (PJ) SPD / Creditors (JG)
Debt recovery/tracing	GOSS Quarter 1 – 4 PJ – review sundry / aged debt
Debt recovery/serving papers (regional)	Benefits Quarter 1 – 4 PJ – review
SPOC – Home Office (Immigration status and travel)	Engagement with Enforcement Officers via Legal Dept
SPOC – HMRC information exchange	Engagement with Enforcement Officers via Legal Dept
Serious and Organised Crime – Strategic Partnership with Gloucestershire Constabulary	Updates to SLT Quarter 1 – 4
Serious and Organised Crime – Home Office Procurement Pilot	Engage with Procurement and Internal Audit Quarter 1 – 4
Internal Investigations – disciplinary/criminal	Engage with HR

Trading standards – Financial Investigation /Proceeds of Crime Act Applications	As per MOU with CFU – process to be rolled out
Staff declaration forms	Consultation with HR
Extraordinary cases	Quarter 1 – 4
Procurement – small contracts	Review with Procurement Quarter 4
Disabled Facilities Grants	Quarter 1 (PJ/MR)
Insurance claims	Review with DT Quarter 4
Additional Proactive Work	Airbnb / NNDR / CTAX Review Quarter 3 (JG) Essential Car User Review Quarter 3 (PJ)

<b>Corporate / Strategy</b>	<b>CBC</b>
Corporate Enforcement Policy	Currently being drafted
Counter Fraud and Anti-Corruption Policy	Consultation Complete
HB/CT/CTRS Penalties/Prosecution Policy	Drafted – consultation period
Whistle -Blowing Policy	Consultation Complete
Money Laundering Policy	Review / draft
Debt Recovery Policy	Review / draft (JG)
Disciplinary Referral Procedure	Engage with HR and ICT
Audit Committees / Boards	Report and present Counter Fraud update
RIPA Policies – Surveillance/Comms/Social Media	Drafted or to be drafted
RIPA – Staff Training	As required
RIPA – Co-ordinator/CHIS	Quarter 1 – 4
Procurement of data matching / warehouse software	Liaise with PJ
Transparency data	Quarter 1 - 4
Whistle-Blowing Training	Quarter 2
Fraud Awareness Training	Quarter 2
Member Training – Fraud Awareness	Completed
CPIA / PACE Document Pack	Quarter 2

# Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy

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# Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy

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## 1. INTRODUCTION

- 1.1. The Council is committed to the detection of fraud and has a responsibility to ensure that Housing Benefit and Council Tax Support are paid correctly. Council Tax Support is also referred to as the Council Tax Reduction Scheme or Local Council Tax Support Scheme. For the purpose of this Policy it is referred to as Council Tax Support only. Council Tax Support replaced Council Tax Benefit from 1 April 2013.
- 1.2. The Council is also charged with ensuring that Council Tax is billed correctly and that discounts and exemptions are not claimed incorrectly.
- 1.3. This policy sets out the Council's approach to prosecution and other sanctions in cases of fraud or misinformation in respect of Council Tax Support, Council Tax and Housing Benefit.
- 1.4. It has been revised in the light of the transfer of Housing Benefit fraud investigation to the Department of Work and Pensions (DWP) in 2015.
- 1.5. This policy does not include specific reference to National Non-Domestic Rates (NNDR) although the Local Authority has the power to obtain particulars of persons interested in land as set out under Section 16 of the Local Government Act 1976. Pursuant to Section 16(2), if a person fails to comply with such requests, they will be guilty of an offence and liable on summary conviction to a fine not exceeding level five on the standard scale.

## 2. BACKGROUND

- 2.1 This policy is governed by legislation and DWP guidance including The Local Government Act 1972, The Local Government Finance Act 1992, Welfare Reform Act 2012, Police and Criminal Evidence Act 1984, Social Security Administration Act 1992 and The Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013.
- 2.2 This policy has been agreed by the Council and will be reviewed as required in response to changes in legislation or government guidance.

## 3. PURPOSE

- 3.1 The purpose of the Penalty and Prosecution Policy is to set out the action which the Council may take in cases of fraud or misinformation in relation to;
  - a) Claims, or attempted claims, for Housing Benefit.
  - b) Claims, or attempted claims, for Council Tax Support.
  - c) Council Tax Discounts and Exemptions.
- 3.2 The Policy provides guidelines that will be followed where applicable and clarifies which areas are the responsibilities of the Council and those which are the responsibility of the DWP.

## 4. AREAS OF RESPONSIBILITY

- 4.1 Responsibility for investigation and the application of sanctions lies as follows:
- 4.2 Housing Benefit (and Council Tax Benefit for offences relating to the period prior to April 2013) where there is evidence of fraud:

# Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy

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- a) Investigation is the responsibility of the DWP's Single Fraud Investigation Service and cases will be referred to the DWP in accordance with DWP guidance accordingly.
- b) Cautions no longer apply to these cases.
- c) The Council has retained the delegated power to offer an Administrative Penalty following a recommendation from the DWP.
- d) Prosecution of cases is the responsibility of the DWP.

## 4.3 Housing Benefit where there is no evidence of fraud:

- a) The Council will make enquiries in respect of cases of misinformation or error made by the customer where the overpayment is incurred wholly after 1 October 2012 and the value of any overpayment exceeds £1,000.
- b) A civil penalty of £50 may be applied by the Council in line with regulations.

## 4.4 Council Tax Support:

- a) The Council has retained the responsibility to investigate and sanction allegations of fraud and abuse in relation to Council Tax Support claims.
- b) A Caution, Penalty or Prosecution may be considered where there is evidence of fraud.
- c) A civil penalty of £70 may be applied where there is no evidence of fraud.
- d) An Authorised Officer within the Local Authority has the power to obtain information as set out under Regulations 4 and 5 of The Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013. Pursuant to Regulation 6, if a person refuses or neglects to produce any documentation when required to do so, they will be guilty of an offence and liable on summary conviction to a fine not exceeding level three on the standard scale.  
Where a person is convicted of an offence and the refusal or failure continues after conviction, the person shall be guilty of a further offence and liable on summary conviction to a fine not exceeding £40 for each day on which it is continued.

## 4.5 Council Tax:

- a) The Council has responsibility for investigating incorrectly claimed Council Tax exemptions and discounts.
- b) A civil penalty of £70 and an additional civil penalty of £280 may be applied where appropriate – see Table of Civil Penalties on page 6.

## 5. GENERAL PRINCIPLES

### 5.1 In deciding what action to take, designated Officers within the Council will consider the following:

- Each case will be considered on its own merits;
- There must be sufficient, reliable evidence to justify the action taken;
- The action taken must be in the public interest;
- Any mitigating circumstances;
- The decision to prosecute an individual is a serious step and has serious implications for all involved. Decisions to prosecute should always be fair, proportionate and consistent;
- In exceptional circumstances, an alternative to prosecution (Caution or Penalty) may be considered without regard to the amount of the overpayment.

## 6. SANCTIONS AVAILABLE FOR OFFENCES RELATING TO COUNCIL TAX SUPPORT

6.1 The three sanctions available where a criminal investigation has been undertaken are a Caution, a Penalty or Prosecution.

6.2 In cases of error or misinformation, a Civil Penalty may be applied.

### 6.3 LOCAL AUTHORITY CAUTION

6.4 A Caution is an oral warning given in certain, less serious circumstances as an alternative to prosecution to a person who has committed an offence. It is intended to be a meaningful penalty and deterrent where other actions are not appropriate. The Caution may be a verbal warning but both parties sign the Caution Certificate and a record is kept by the Local Authority.

6.5 If a person declines the offer of a caution the case will be recommended for prosecution.

6.6 A caution will usually be considered where the amount of the recoverable Council Tax Support is less than £1,000 where the evidence indicates that:

- a) It was a first offence, or
- b) There was no planning involved, or
- c) There was no other person involved in the fraud, and
- d) The person's circumstances and demeanour towards the offence indicates that a Caution would be the most appropriate action and
- e) The person has admitted the offence in an Interview under Caution.

6.7 In these circumstances the Council will issue an official Local Authority Caution and require full repayment of the recoverable Council Tax Support.

6.8 A Caution is not applicable where the offence is an attempt and there is therefore no financial loss to the Authority or gain to an individual.

### 6.9 PENALTY

6.10 A Penalty is a financial penalty offered as an alternative to prosecution, usually in circumstances not deemed serious enough to warrant prosecution.

6.11 If a person refuses a Penalty the case will be recommended for prosecution.

6.12 A Penalty will be considered where the evidence indicates that:

- a) It was a first offence, or
- b) The person failed to attend an interview under caution, or
- c) The person has previously been cautioned within the last 5 years for a similar offence but the offence was minor and the current offence is minor; and
- d) There was no planning involved, or
- e) The person has not admitted the offence at an Interview under Caution, and
- f) There was no other person involved, and
- g) The person's circumstances and demeanour towards the offence indicates that a Penalty would be the most appropriate action.



# Council Tax, Housing Benefit and Council Tax Support Page 89 Penalty and Prosecution Policy

- 6.13 In such circumstances the Council will make an offer of a Penalty in addition to requiring full repayment of the recoverable Council Tax Support.
- 6.14 The penalty will be a minimum of £100, or 50% of the recoverable amount of Council Tax Support up to a maximum of £1,000.
- 6.15 **PROSECUTION**
- 6.16 Prosecution proceedings will usually be instigated only after the evidential and public interest tests as detailed in the Code for Crown Prosecutors are satisfied, and in line with the Council's own Corporate Enforcement Policy. Prosecution will be considered where:
- a) It was not a first offence, or
  - b) The fraud has been deliberate and calculated, or
  - c) The fraud had continued over a long period; or
  - d) The value of the overpayment or financial gain is significant; or
  - e) The person has failed to attend an interview under caution; or
  - f) There were other persons involved in the fraud and collusion has been investigated, or
  - g) The person has declined the offer of a Penalty or withdrawn agreement to pay and Penalty; or
  - h) The person has declined the offer of a Caution
- 6.17 The decision to prosecute is a serious step and has implications for all concerned. The Council will ensure that decisions to prosecute are made in a fair, consistent and equitable manner.
- 6.18 The Council will also consider the following:
- a) Offender's physical and mental condition such as illness, disability, age etc.
  - b) Social factors such as domestic violence, career or employment impact, child care etc.
  - c) Voluntary disclosure where the individual makes a full and frank admission without prompting.
  - d) Procedural difficulties, delays, failures in the investigation or administrative process.
- 6.19 **SANCTION RECOMMENDATIONS**
- 6.20 The recommendation to apply any sanction will be made in the first instance by the Investigating Officer after consultation with an appropriate Senior Officer.
- 6.21 Recommendations for criminal sanctions will then be referred to the appropriate Legal Department.
- 6.22 An appropriate Senior Officer will administer Cautions and Administrative Penalties on behalf of the Revenues or Benefits Department.
- 6.23 **CIVIL PENALTIES**
- 6.24 A civil penalty is a financial penalty that that can be imposed where a person has negligently supplied incorrect information or failed to supply information that affects;

# Council Tax, Housing Benefit and Council Tax Support Page 90 Penalty and Prosecution Policy

- a) The amount of Housing Benefit or Council Tax Support they have been paid or would have been paid or
- b) The amount of Council Tax they have been billed or would have been billed.

## 6.25 CIVIL PENALTIES APPEAL PROCESS

6.26 If a customer is not satisfied with the decision to impose a civil penalty in relation to Housing Benefit or Council Tax Support, they can write to the Council within one calendar month of the date of their letter in which the civil penalty is issued, and ask for a reconsideration of the decision. The reconsideration will be carried out by a Senior Manager within the Local Authority. The outcome of the reconsideration is final and there is no further appeal process. The customer will need to state and provide evidence where appropriate, why they feel the decision is wrong.

6.27 If a customer is not satisfied with the decision to impose a civil penalty in relation to Council Tax, they can write to the Council within one calendar month of the date of their letter in which the civil penalty is issued, and ask for a reconsideration of the decision. The reconsideration will be carried out by a Senior Manager within the Local Authority. If the appeal is not successful, the customer may appeal to the Valuation Tribunal. The customer will need to state and provide evidence where appropriate, why they feel the decision is wrong.

TABLE OF CIVIL PENALTIES			
Service	Amount of penalty	Criteria	Appeal method
Housing Benefit	£50	1. Negligently or carelessly giving incorrect information, or 2. Failing to provide without reasonable excuse, information in respect of a claim or payment of benefit, or 3. Failing to notify, without reasonable excuse, a relevant change in circumstances (reasonable excuse = ill health, significant stress)	The Council
Council Tax Support	£70		The Council
Council Tax	£70	1. Failing to supply information following a request from the Council, or 2. Supplied information about a liable person that is materially inaccurate, or 3. Failing, without reasonable excuse, to notify the Council that a dwelling is no longer exempt, or 4. Failing, without reasonable excuse, to notify the Council that a level of discount no longer applies (reasonable excuse = ill health, significant stress)	The Council and then the Valuation Tribunal

# Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy

<b>Council Tax</b>	<b>£280</b>	1. Where a penalty has been imposed and a further request to supply the same information is made again and is not properly complied with, and may do so each time it repeats the request and the person concerned does not properly comply with it. There is no limit to the number of times this penalty can be imposed.	The Council and then the Valuation Tribunal
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## 7. STRATEGY AND POLICY REVIEW

- 7.1 The appropriate department will review and amend this Policy as necessary to ensure that it continues to remain compliant and meets legislative requirements and the vision of the Council in consultation with the S151 Officer, the Legal Department and Members.

Responsible Department: Revenues Department / Benefits Department

Policy Author: Counter Fraud Unit

Date: April 2017

Review frequency as required by legislative changes / every three years.

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## CHELTENHAM BOROUGH COUNCIL

### BENEFIT POLICY

#### Housing and Council Tax Benefit – Sanctions Policy

Updated March 2010

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1. Cheltenham Borough Council is committed to making prompt payment of housing and/or council tax benefit to those who are entitled, and is equally committed to preventing and detecting fraudulent claims.
2. A range of measures designed to identify and reduce benefit fraud have been adopted by the council such as review visits, data matching and an anonymous hotline number. There is a fraud investigation team which is responsible for investigating cases where fraud is suspected.
3. When deciding whether to sanction someone, the council must consider relevant legislation such as the Theft Act 1968, the Social Security Administration Act 1992, the Human Rights Act 1998 and the Fraud Act 2006. All files are reviewed by a member of the One Legal services to ensure that the necessary criteria have been met.
4. The council can either use our One Legal services or SOLP (the DWP legal team) to prosecute alleged offenders. Where appropriate the council's investigation team will work with the DWP investigation teams on joint cases and when this happens each party's manager will need to authorise a prosecution by the other persons legal team.
5. The council's investigation team will interview under caution anyone suspected of committing a benefit offence. Once the case has been investigated there are four possible outcomes: no further action, prosecution, formal caution or administrative penalty. The latter two will **not result** in a criminal record although a record of the sanction must be passed to the DWP to be added to their national database.

In addition since April 2010 any person who has been prosecuted, cautioned or accepted an administrative penalty may also be subject to a one strike loss of benefit for four weeks.

A two Strike loss of benefit was introduced in 2002 for anyone convicted of benefit fraud in two separate proceedings within a five year period and if this applies their benefit will be reduced for 13 weeks.

6. The caution and the Administrative penalty are alternatives to prosecution and should only be recommended if there is sufficient evidence to support criminal proceedings, but it is not in the interest of the council to initially consider a prosecution. DWP guidelines state that if someone is offered an alternative and refuse it, then they should be taken to court.

7. The aim of this policy is to ensure fairness and consistency in the council's action following the detection of benefit fraud. The decision to prosecute or impose a formal caution or administrative penalty will be made by either the benefit Manager or the Senior Investigation officer under delegated powers taking into account the following factors, and in consultation with the One Legal Services.

- There is sufficient evidence to pursue the case
- The size of the overpayment
- Previous sanction issued – check must be made via DWP
- The duration of the offence
- Physical/mental condition of the customer
- Social factors (age, stress, tragic domestic situations)
- Collusive landlord or employer
- Internal procedures or delays
- Voluntary disclosure – this will only be taken into account where the customer, of their own free will, reveals a fraud of which the council had been unaware ie not as a result of disclosure prompted by:
  - A belief that the fraud would have been discovered
  - The customer discovered they were being investigated
  - Review visit

**Commitment**

All customers will be treated in accordance with the council's customer service standards and the council will consider every case on its merits in accordance with all relevant legislation, policies and procedures.

Audit Committee 2017-18 work plan

Item	Author
<b>20 September 2017 (Report deadline: Mon 11 Sept)</b>	
Audit highlights memorandum - ISA 260 (for the previous year) inc. Financial Resilience	Grant Thornton
Internal audit monitoring report	Internal Audit
Counter Fraud update and future work provision (inc. Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy)	Counter Fraud Unit
Annual Statement of Accounts 2016-17 (inc. letter of representation)	Finance Team
<b>10 January 2018 (Report deadline: 29 Dec – will need to come forward)</b>	
Audit committee update	Grant Thornton
Annual audit letter (for the previous year)	Grant Thornton
Certification of grants and returns (for the previous year)	Grant Thornton
Internal audit monitoring report	Internal Audit
Annual governance statement – significant issues action plan	Internal Audit
Modern Slavery Reception Centre Protocol (deferred from June 2017)	Tracy Brown
<b>21 March 2018 (Report deadline: Mon 12 Apr)</b>	
Audit committee update	Grant Thornton
Audit plan (for the current year)	Grant Thornton
Auditing Standards – communicating with the Audit Committee	Grant Thornton
Annual plan (for the upcoming year)	Internal Audit
Internal audit monitoring report	Internal Audit
Counter Fraud update and future work provision	Counter Fraud Unit
Annual review of risk management policy	Bryan Parsons
Annual review and approval of RIPA guidance policies	Counter Fraud Unit
Approval of the Code of Corporate Governance	Bryan Parsons
<b>25 July 2018 (Report deadline: Mon 16 July) THIS</b>	
Audit committee update	Grant Thornton
Internal audit opinion (for the previous year)	Internal Audit

Audit Committee 2017-18 work plan

Item	Author
Internal audit monitoring report	Internal Audit
Annual governance statement	Internal Audit
Annual Audit Fee letter for the coming year	Grant Thornton

<b>ANNUAL ITEMS (standing items to be added to the work plan each year)</b>		
January	Audit committee update	Grant Thornton
	Annual audit letter (for the previous year)	Grant Thornton
	Certification of grants and returns (for the previous year)	Grant Thornton
	Internal audit monitoring report	Internal Audit
	Annual governance statement – significant issues action plan	Internal Audit
March	Audit committee update	Grant Thornton
	Audit plan (for the current year)	Grant Thornton
	Auditing Standards – communicating with the Audit Committee	Grant Thornton
	Annual plan (for the upcoming year)	Internal Audit
	Internal audit monitoring report	Internal Audit
	Counter Fraud update and future work provision	Counter Fraud Unit
	Annual review of risk management policy	Bryan Parsons
	Annual review and approval of RIPA guidance policies	Counter Fraud Unit
	Approval of the Code of Corporate Governance	Bryan Parsons
July	Audit committee update	Grant Thornton
	Internal audit opinion (for the previous year)	Internal Audit
	Annual governance statement	Internal Audit
	Annual Audit Fee letter for the coming year	Grant Thornton
	Statement of Accounts (previous year) (inc. letter of representation)	Finance Team



Audit Committee 2017-18 work plan

<b>Item</b>		<b>Author</b>
September	Audit highlights memorandum - ISA 260 (for the previous year) inc. Financial Resilience	Grant Thornton
	Internal audit monitoring report	Internal Audit
	Counter Fraud update and future work provision	Counter Fraud Unit

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