



# CHEL TENHAM

## BOROUGH COUNCIL

### Notice of a meeting of Audit Committee

**Wednesday, 10 January 2018**  
**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> 20 September 2017	(Pages 3 - 14)
<b>4.</b>	<b>PUBLIC AND MEMBER 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>GDPR PROGRESS UPDATE</b>	(Pages 15 - 18)
<b>6.</b>	<b>ANNUAL AUDIT LETTER</b> Grant Thornton – no decision required	(Pages 19 - 32)
<b>7.</b>	<b>CERTIFICATION OF GRANTS AND RETURNS</b> Grant Thornton – no decision required (to follow)	
<b>8.</b>	<b>AUDIT COMMITTEE UPDATE</b> Grant Thornton – no decision required	(Pages 33 - 48)
<b>9.</b>	<b>INTERNAL AUDIT MONITORING REPORT</b> South West Audit Partnership (SWAP) – no decision required	(Pages 49 - 70)
<b>10.</b>	<b>ANNUAL GOVERNANCE STATEMENT - SIGNIFICANT ISSUES ACTION PLAN</b>	(Pages 71 - 74)

		South West Audit Partnership (SWAP) – see recommendation(s)	
<b>11.</b>		<b>WORK PROGRAMME</b>	(Pages 75 - 76)
<b>12.</b>		<b>ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	
<b>13.</b>		<b>DATE OF NEXT MEETING</b> 21 March 2018	

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### Audit Committee

**Wednesday, 20th September, 2017  
6.00 - 7.20 pm**

<b>Attendees</b>	
<b>Councillors:</b>	Colin Hay (Chair), Steve Harvey (Vice-Chair), Matt Babbage, Paul McCloskey, John Payne and David Willingham
<b>Also in attendance:</b>	Peter Barber (Grant Thornton), Lucy Cater (SWAP), Emma Cathcart (Counter Fraud), Sarah Didcote (Deputy Section 151 Officer), Paul Jones (Section 151 Officer) and Sophie Morgan (Grant Thornton)

### Minutes

**1. APOLOGIES**

No apologies had been received.

**2. DECLARATIONS OF INTEREST**

No interests were declared.

**3. MINUTES OF THE LAST MEETING**

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

The Chairman noted that Agenda Item 2 (Declarations of Interest) should have read: Councillor Willingham declared a non-pecuniary interest in Agenda Item 6 (Progress Report and Update), as a member of the Local Government Pension Scheme from his time as a councillor on Bristol City Council.

The minutes on the website would be amended as necessary.

Upon a vote it was unanimously

**RESOLVED that the minutes of the meeting held on the 14 June 2017, as amended, be agreed and signed as an accurate record.**

**4. PUBLIC QUESTIONS**

None had been received.

**5. AUDIT FINDINGS REPORT - ISA260 INCLUDING FINANCIAL RESILIENCE**

Peter Barber of Grant Thornton (GT), introduced the report as circulated with the agenda. He explained that the report highlighted key findings and opinion on the financial statements. Page 5 of the report identified areas as being 'yet to be finalised', though he was able to report that progress had been made in all areas, with most now being complete. GT had not identified any adjustments affecting the overall accounts or any material errors, however GT had recommended a number of adjustments which they felt would improve the presentation of the financial statements. He referred to the timing of the audit

which had been a month earlier than last year and a year ahead of the statutory timetable change, as the council had been keen to demonstrate their ability to achieve the earlier deadline. He commended this achievement, as well as the good standard of responses GT had received to any queries. GT anticipated being able to provide an unqualified audit opinion in respect of the financial statements but stressed that the audit was not designed to test all internal controls or identify all areas of control weakness, however, he did draw members attention to the two control issues that had been identified on page 6; minor IT control weaknesses and journal entries posted by the Section 151 Officer, though this recommendation had since been implemented. In relation to Value for Money (VFM), GT had to satisfy themselves that the council had put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources and he was pleased to report that GT had concluded that the council did have proper arrangements in place to ensure the it delivered value for money in its use of resources.

Sophie Morgan, also of GT, proceeded to provide more detail and context to the audit work that had been undertaken. She explained that when performing their audit work, GT applied the concept of materiality and overall materiality had been determined to be £1,646,000 (2% of gross expenditure), though this figure was lower for more sensitive disclosures including Audit fees and officer remuneration and exit packages. She referred members to pages 10 - 14 which detailed the risks which had been identified, though the two detailed on page 10 were presumed significant risks which were applied to all audits under auditing standards. Also detailed on these pages was the work that had been undertaken and the details of the assurances that had been gained and any issues arising. As significant components of the Group, a targeted approach was taken in relation to CBH and Gloucestershire Airport, though no significant issues were identified in relation to the significant risks of the group audit. She noted that the Airport had not previously been included but since commencing reporting under the FRS102 financial reporting framework in 2016/17, there had been a significant increase in the value of the Airport's assets, which had led to them being treated as a significant component of the Group. The committee were advised that GT had now received positive confirmation from all third parties and in terms of the issue of IT controls identified on page 20, the work was in progress, though Publica was still yet to be tested. One disclosure change had been identified after the report had been submitted on the 8 September and this related to a lease disclosure; the figure for the Delta House lease was missing but she reported that this had not impacted the balance sheet. She confirmed that the main consideration for GT in arriving at the VFM conclusion was the Council's MTFS and the key findings against this significant risk were detailed on page 26 of the report and GT had made two recommendations relating to the MTFS. Confirmation that certification work on pooled receipts could commence had not yet been received by GT since the submission of this report and this explained why the fee had been marked as 'TBC' on page 29. Pages 34 and 35 set out all recommendations contained within the report and included management responses for each, and page 36 confirmed that GT anticipated providing the council with an unmodified audit report.

The following responses were given to member questions;

- A member was concerned that statements such as “The culture and ethical frameworks of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable” and “As set out in the audit plan, we do not consider this to be a significant risk as our experience shows that expenditure is well controlled and monitored” gave the impression that because something had been right in the past, an assumption had been made that it was right this year. The GT Auditors responded by reminding members that a set of presumed risks were applied to every organisation and GT did not consider these to be significant risks at CBC; because there was not an inherent risk to manipulate revenue to show profits and officer pay was not performance related as was the case in businesses. This was not to say that no auditing had been undertaken in these areas, it had, but it was simply not considered a significant risk.
- Testing of revenue cycles was risk based and as such GT undertook testing in totality in relation to Council Tax; but with an increasing number of other revenue streams sample testing was undertaken. GT were not permitted to rely on Internal Audit work, but would monitor this and take account of it and members were reminded that if a large number of frauds were identified, this would ultimately impact upon the Statements.
- The FRS102 financial reporting was a new accounting framework which was imposed on the commercial sector, which had resulted in changes to how investment property was valued and subsequently resulted in a significant increase to the value of the Airport’s assets. It was noted that the ramifications of this were dependant on the type of assets held by an organisation.
- Cash handling was considered less of a risk in terms of revenue cycles, with income being recognised within the wrong period being a bigger risk. Deliberate misreporting of accounts was fraud.

The Chairman was reassured by the fact that there were no minor adjustments to Property Plant and Equipment valuations, as had been the case in previous years and the committee welcomed the findings by GT.

No decision was required.

Kind regards

### **6. STATEMENT OF ACCOUNTS 2016/17**

The Deputy Section 151 Officer introduced the Statement of Accounts 2016-17 and proceeded to talk through a PowerPoint presentation (Appendix 1) and in addition to the slides, explained that:

- It was important to note that the legislation prescribes a set format by which the statements have to be presented.
- The bad debt provision for the non-recovery of overpayment of housing benefit has increased from 70% to 75%, representing a change to the draft accounting policies approved by the committee at the June meeting.
- The practice and procedures had improved since last year, which had assisted in being able to achieve closedown a month earlier than last year.

## Page 6

- Instructions were actually given to the valuers in July/August rather than in November as stated on slide 5 of the presentation.
- The turnout of staff at workshops held in March was greater than in previous years.
- Much more detailed work was carried out in March, earlier than in previous years, which meant that closedown work could also be completed earlier.
- The date for external audit of the accounts should have shown as July/August 2017 rather than 2016 on the presentation slide.
- The fact that the Comprehensive Income and Expenditure Statement service analysis was now based on the Council structure meant that it could be presented in the same way that it had always been reported throughout the year to members.
- The new Expenditure and Funding Analysis (EFA) note to the accounts was the main change this year.
- The narrative statement was not hugely different to last year but further efforts had been made to ensure that it told the story of the council and highlight any success stories.
- Members were reminded that the Annual Governance Statement had been agreed by the committee in June.
- She highlighted that the Management Outturn had shown an underspend of £571k for the year.
- The EFA allowed the reader to reconcile the management accounts reported to Council to the Comprehensive Income & Expenditure account and the Movement in Reserves Statement reported in the Statement of Accounts, showing year end technical adjustments such as pensions and revaluations. This is aimed at making the statements more useful and understandable.
- It was noted that because the Balance Sheet was a snapshot of a point in time, it could change from one day to the next.
- The £308m net assets at 31<sup>st</sup> March 2017 include £62m of liabilities on pensions.
- Usable and unusable reserves were included as many were then reversed back out and there were notes to support this. (delete line)
- Because early closure had been achieved this year, there was every confidence that this could be replicated next year when the statutory deadline would officially change, subject to any initial changes as a result of the introduction of Group Accounts for Publica Ltd.
- The June meeting of this committee would move to the end of July from 2018 onwards.

The following responses were given to member questions:

- The purchase order situation was monitored monthly and was greatly improved with between 80% and 90% of invoices received having an appropriate purchase order and admittedly, this had made the closedown process much smoother.
- At least 20% of assets were valued each year as part of a 5 year rolling programme, as well as a paper exercise to look at the rest. Changing market conditions were taken into account and could see certain assets prioritised over others, regardless of value.
- The council held operational assets not only investment assets (i.e. bridges, etc) and whilst the value of that asset would depreciate

annually, it would not always necessarily be something that could be easily sold to a member of the public.

- No questions or issues were raised during the public consultation.
- The Museum collection, which are assets of the council were included under heritage assets, though they have not been formally valued in the last year. The notes in relation to this recognised that it was not always possible to achieve a valuation on some of the items.

The committee commended officers for their hard work and congratulated everyone involved for being able to achieve closedown a month earlier than last year and a year before the statutory change.

Upon a vote it was unanimously

### **RESOLVED that:**

- a. The accounts for the year ended 31 March 2017 be approved.**
- b. The Statement of Accounts and letter of representation be signed by the Chairman of the committee and the Section 151 Officer.**

### **7. INTERNAL AUDIT MONITORING REPORT**

Lucy Cater, Assistant Director, introduced the Internal Audit Monitoring Report and Internal Audit Charter. The Monitoring Report, which was written at a point in time, highlighted the work that had been completed by Internal Audit and provided comment and assurances on the control environment. She reminded members that the Internal Audit Partnership (Audit Cotswolds) had transferred to the South West Audit Partnership (SWAP) on the 1 April 2017 and the Control Assurance Definitions had changed, as well as the way in which recommendations were prioritised, with Priority 5 being of the highest priority where this had previously been reported to this committee was a Priority 1. A new Internal Audit Charter had been provided by SWAP. She explained that the Charter, which formed part of the requirements of the Public Sector Internal Audit Standards, summarised how the service would operate and provided guidance on authority, accountability, customer care (quality control), independence, reporting, responsibility, and audit standards and the committee were being asked to approve this charter.

The Assistant Director gave the following responses to member questions:

- The Audit Plan was approved in March 2017 and set out the planned work for the forthcoming year. The Monitoring Report had been drafted at a point in time and as a consequence, further progress had been made since, which was not captured in this report. A draft report had been issued on the S106 Agreement and Funds and work had started in relation to Elections and Damages Recovery. She was confident that all planned work would be completed as planned.
- The General Data Protection Regulations (GDPR) were being looked at across all four partners and this work was being undertaken by Senior Computer Auditors. The Director of Corporate Resources was leading on this from a client perspective and had commissioned One Legal to undertake a special piece of work, which was being approached as a project. Unable to offer an answer in relation to what support the

Council was providing to the likes of CBH and Ubico, as well as third sector organisations to whom we awarded funding (Hesters Way Partnership, Big Local, etc), the Section 151 Officer suggested that a representative from One Legal be invited to attend a future meeting of the committee.

- The issue of the Legal Entity Identifier, a code that was unique to a legal entity, was in hand, though it was not yet clear if TECKAL companies would be included.

The committee agreed that an item should be scheduled on the January 2018 agenda in relation to GDPR. It was suggested that a representative from One Legal should attend and provide details of what work had been undertaken to date and this would give the committee the opportunity to understand how this work complimented the work being undertaken by SWAP.

There were no further comments or questions.

Upon a vote it was unanimously

**RESOLVED that monitoring report be noted and the Internal Audit Charter be approved.**

**8. COUNTER FRAUD UNIT REPORT AND COUNCIL TAX, HOUSING BENEFIT AND COUNCIL TAX SUPPORT PENALTY AND PROSECUTION POLICY**

Emma Cathcart, Counter Fraud Manager, introduced the Counter Fraud Unit report, as circulated with the agenda. The 2017/18 work plan had been agreed by the Chief Finance Officers and Senior Leadership Team and detailed areas of focus for Cheltenham. She noted that since the last meeting of the committee, four investigators had been appointed to permanent positions and highlighted that this service would not form part of Publica but staff would instead be employed by Cotswold District Council and seconded to Cheltenham, with Publica also being a client. The investigators now had a base at the Municipal Offices and worked closely with CBH given that they managed the housing stock on behalf of the council. A new Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy had also been included for comment by the committee. This policy would replace the Housing and Council Tax Benefit Sanctions policy and covered both criminal and civil aspects. Members were asked to comment ahead of approval by Cabinet.

A member commended the counter fraud team on the successful prosecution in relation to a false RTB application. This had been a high profile case and he felt that the result represented justice having been done. He also felt that stories such as this would undoubtedly deter others from committing, or attempting to commit fraud against the authority.

Whilst members were pleased to see that the draft policy suggested penalising those who were guilty of abusing the Council Tax Reduction Scheme; they were concerned by the lack of independent appeal method when dealing with a civil penalty. The policy stated that reconsideration of a decision to impose a civil penalty would be undertaken by a Senior Manager within the organisation and the committee felt that this should be undertaken by a Senior Officer at a partner authority or at the very least, a Senior Manager from another service



area within the authority. The Counter Fraud Manager responded by explaining that historically, reconsideration of any such decision would be undertaken by a Senior Officer within the service rather than being referred back to the DWP, however, she could see no reason why an element of independence could not be included. The Chairman reminded members that they had fulfilled their role by raising the issue and it was for Officers and the Cabinet Member to decide whether they wanted to justify the process as it stood or modify it.

Upon a vote it was unanimously

**RESOLVED that:**

- a) **The work plan be noted.**
- b) **The committee's comments on the Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy be shared with Cabinet.**

**9. WORK PROGRAMME**

The work programme had been circulated with the agenda.

Members were reminded that the June meeting would move to July from 2018 onwards.

An item on GDPR would be added to the January 2018 meeting. The Section 151 Officer would arrange for a representative of One Legal to attend.

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

There were no urgent items requiring a decision.

**11. 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(s) 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**

**12. EXEMPT MINUTES OF THE LAST MEETING**

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

It was noted that the Chairman, whilst present at the meeting, was not showing as being in attendance. This would be amended.

Upon a vote it was unanimously

**RESOLVED that the exempt minutes of the meeting held on the 14 June, as amended, be agreed and signed as an accurate record.**

**13. DATE OF NEXT MEETING**

The next meeting was scheduled for the 10 January 2018.

Colin Hay  
**Chairman**




**Cheltenham Borough Council**

**Audit Committee, 20 September 2017**  
**2016/17 Statement of Accounts**

Sarah Didcote, GO Shared Services



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**Areas to be covered**

- Role of Audit Committee
- Accounting practices and procedures
- Changes to Financial Statements in 2016/17
- Format of Statements
- Financial Statements
- Notes to the Accounts
- Early Closure
- Questions


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**Role of Audit Committee**

- Review financial statements to be satisfied that steps have been taken to meet statutory and recommended practices
- Review the Narrative Statement for consistency with statements and known financial challenges and risks
- Review whether statements are readable and are understandable by a lay person
- Identify key messages from each of the financial statements


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**Role of Audit Committee (cont'd)**

- Review suitability of accounting policies and treatments
- Seek assurances from Section 151 Officer and External Audit – review Auditor's Opinion
- Sign approval of Statements by 30<sup>th</sup> September 2017
- Consider if any major concerns arising from Statements or External Audit to bring to attention of Council.


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**Accounting Practices and Procedures**

- October 2016 – GOSS review of 2015/16 closedown process
- November 2016 – Instructions to Valuers
- December 2016 – Pre meeting with External Auditors to discuss issues / changes to statements for 2016/17
- February 2017 - Year end timetable and Guidance notes produced - agreed by key officers, budget holders and external parties
- March 2017 - Workshops held for all relevant staff

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**Practices and Procedures (continued)**

- March 2017 – Budget monitoring to identify issues and expected year end position
- March 2017 – Timetable and Guidelines re-sent to all staff
- March 2017 – Final reconciliation of suspense and control accounts, preparation for year end
- April / May 2017 – Accruals accounting and production of management year end outturn position
- May 2017 – Production of statement of accounts, including technical adjustments

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## Practices and Procedures (continued)

- 31<sup>st</sup> May 2017 – Accounts signed by Section 151 Officer and submitted to External Audit
- Public inspection period 5<sup>th</sup> June to 14<sup>th</sup> July 2017
- July 2017 – Cabinet / Council year end Outturn report
- July/August 2016 – External audit of accounts
- August 2017 – close out meeting with External Audit
- 20<sup>th</sup> September 2017 – Review and sign off of Statements by Audit Committee

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## Changes in 2016/17

- Change to format of Comprehensive Income & Expenditure Statement – service analysis now based on Council structure / management reports rather than CIPFA standard classification
- New major note - Expenditure and Funding Analysis (EFA)
- Further 'decluttering' and improvement of Narrative Statement

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## Format of Statement of Accounts

### • Narrative Statement

- Council vision and priorities and performance management
- Developments in service delivery
- Management revenue outturn and Capital Expenditure
- Financial Challenges ahead
- Introduction to main statements

About telling the story of the council, behind the statutory accounts

### • Statement of Responsibilities for the Statements

- Outlines the Council's and Section 151 Officer's responsibilities
- Section 151 Certification – "True and Fair View"
- Audit Committee approval - sign off by Chair

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## Format of Statement of Accounts (continued)

### • Main Financial Statements and notes

- Comprehensive Income & Expenditure Statement (CIES)
- Balance Sheet
- Movement in Reserves Statement
- Cash Flow Statement
- Collection Fund – Business Rates and Council Tax
- Group Accounts
- Housing Revenue Account

### • Other notes to accounts

- Including pensions, officer remuneration, audit fees, members allowances, Expenditure Funding Analysis (EFA), related third parties

### • Glossary of Terms

### • Annual Governance Statement

### • Independent Auditor's Report – Grant Thornton

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## Comprehensive Income & Expenditure Statement (CIES)

### • Management Outturn:

- represents general fund service costs funded by taxation
- measures underspend against approved budget

### • Comprehensive Income & Expenditure Statement (CIES):

- reports **total** accounting cost of Council services, for GF and HRA
- includes year end technical adjustments
- Gross income and expenditure categorised by service as reported to management / Council

### • Expenditure & Funding Analysis (EFA) note to accounts provides reconciliation between CIES and movement in GF and HRA usable reserves, as reported in the management outturn

### • Technical Adjustments to CIES reversed out to usable and unusable reserves through the Movement in Reserve Statement, therefore no impact on council tax payer

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## Balance Sheet

### • Shows value of assets and liabilities at the balance sheet date

### • Snapshot of a point in time, showing net assets matched by reserves

### • Land and Property valuations in accordance with 5 year rolling programme, with reasonability check for other material assets

### • Reserves – split into usable (including earmarked) reserves and unusable reserves e.g. pension reserve, revaluation reserve

### • Full breakdown of each element of balance sheet supported by notes to statements

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## Other Main Financial Statements

- **Movement in Reserves Statement (MRS):**  
shows the impact of the CIES deficit for the year on the balance sheet position at 31<sup>st</sup> March and the movement in usable and unusable reserves in the year.
- **Cash Flow Statement :**  
shows the changes in cash and cash equivalents during the year
- **Collection Fund:**  
separate statement and notes produced by billing authorities, showing transactions in relation to business rates and council tax collected
- **Group Accounts:**  
consolidates council accounts with the accounts of any other body for which the council has an influential shareholding – CBH and Glos Airport

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## Early Closure of Statement of Accounts

### Statutory Changes

- 2016/17 - draft accounts produced by 31st May 2017
- 2017/18 – draft accounts to be prepared by 31<sup>st</sup> May 2018
- External Audit to be completed by 31<sup>st</sup> July 2018 (30<sup>th</sup> September for 16/17 accounts)
- Audit Committee approval of audited accounts by 31<sup>st</sup> July 2018 (30<sup>th</sup> September for 16/17 accounts)

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## Any Questions?



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# ***Information/Discussion Paper***

## **Audit Committee**

**10 January 2018**

### **General Data Protection Regulations (GDPR) Progress Update**

This note contains the information to keep Members informed of matters relating to the work of the Committee. No decisions from Members are required.

#### **1 Introduction**

- 1.1 Data protection law is changing from 25th May 2018. The current legislation has been in place for twenty years since before the use of the internet, emails and cloud storage services.
- 1.2 The new Regulation will enhance the rights of data subjects and give them more control over what happens to their data. The law allows larger financial penalties (up to £17million) to be imposed on any organisation that breaches those rights or does not comply with the accountability principle.
- 1.3 The implication is that the council needs to be able to demonstrate compliance with the GDPR and the new Data Protection Bill currently going through Parliament. The council also needs to have the necessary technical and organisational measures in place to protect data from mishandling, unauthorised access etc. and ensure protection of the rights and freedoms of data subjects.
- 1.4 Three core sections form the body of this report, they are:-
  - Section 2 introduces the each subject that the project work will investigate and take action.
  - Section 3 provides an update of progress to 20<sup>th</sup> December 2017.
  - Section 4 describes the resources available currently for Members.

#### **2 Summary of the requirements and deadlines**

- 2.1 Awareness raising – The project needs to make sure that decision makers and key people in the organisation are aware that the law is changing to the GDPR. Implementing the GDPR could have significant resource implications, especially for complex organisations.
- 2.2 Information audit - The project will document what personal data the council holds, where it came from, how it is processed and whom the council shares that information.
- 2.3 Service action planning – The project will organise a review of current privacy notices and put a plan in place for making any necessary changes in time for GDPR implementation. When the council collects personal data it currently has to give people certain information, such as identity and how the council intends to use their information. A privacy notice is the most common method to communicate this information. Under the GDPR there are some additional

things that the council will have to tell people, the project work aims to ensure that the new criteria are included in the new privacy notices.

- 2.4 Service implementation - This part of the delivery carries forward the gaps identified in the data audit and addresses each individual aspect, for example, a service manager updating the privacy notice shown on the council's public website.
- 2.5 Operational roles – The council should designate someone to take responsibility for data protection compliance. Work to assess where this role will sit within the council's structure and governance arrangements. It is most important that someone in the council takes proper responsibility for data protection compliance and has the knowledge, support and authority to carry out their role effectively. Policy creation and update – The Data protection policy, Acceptable use policy and the CCTV policy will be updated by Publica and forwarded to the appropriate council body to approve.

- 2.6 Guidance creation and update – The Publica lead has committed to the production of following guidance: -

- Data Protection - Breach Guidance
- Information Protection and Document Handling Guidance
- Cloud Usage Guidance
- Encryption Guidance
- Clear Desk and Clear Screen Guidance
- Remote working policy

When the guidance is ready and accepted, the project will disseminate the new information across the organisation; the target audience will be Service Manager, Members and Client Officers.

- 2.7 New and modified corporate processes – The project work streams will check the procedures to ensure they cover all the rights individuals have, including how to delete personal data or provide data electronically and in a commonly used format. The following are typical processes that will be assessed:-
- Privacy impact assessments,
  - Subject access requests,
  - Data Portability
  - Erasure of data
  - Rectification of data
  - Restricting data processing where data is in correct or unlawful
  - Retention of data

- 2.8 Data processors / sharers compliance – This work stream is focused on providing the council's Client Officers appropriate guidance to allow them to ensure that organisations that process data on behalf of the council are compliant.

- 2.9 South West Audit Partnership (SWAP) Initial audit – The purpose of this audit is to gain a baseline position of the organisation at present and to clearly identify risks at an early stage.

- 2.10 SWAP (External) – The purpose of this audit is to check and verify that the project work has been effective, identify any risks and ultimately provide assurance that the council is compliant.

- 2.11 Member training – The package has been developed by One Legal. The planned training date is the 30<sup>th</sup> of January 2018. The training will be



embedded into the Member induction. It is essential that all members are trained and are able to comply with the regulation.

- 2.12 Officer training – The training delivery will follow on from the Member training and will be conveyed to all officers during March and April 2018. It is essential that all Officers are trained and are able to comply with the regulation.

### **2.13 Regulation comes into effect 25<sup>th</sup> May 2018**

## **3 Progress Update**

- 3.1 Awareness raising - The Council has carried out training with Service Managers and keeps SLT up to date on the progress of the project through regular reports.
- 3.2 Information Audit - The project has carried out an information audit across the organisation. The GDPR requires a maintained record of the organisations processing activities; the audit has provided the information required to enable the council to comply with this requirement.
- 3.3 Service action planning - Each Service area has developed an action plan for their area. Each action plan feeds into the Council Action to assist the council to be GDPR compliant by 25<sup>th</sup> May 2018
- 3.4 Service implementation – Early sampling of the service plans have shown that there is a critical dependency on Publica IT services to complete remedial work with system suppliers in good time. Publica are currently engaging with suppliers.
- 3.5 Data Protection Officer - The project has also made a decision in principal to appoint a Data Protection Officer from One Legal. Shirin Wotherspoon, Head of Law (Commercial) will present a paper to the projects leadership team on the 10<sup>th</sup> January 2018. The paper outlines the functions, responsibilities and costs of the Data Protection Officer role.
- 3.6 Guidance creation and update – This work is in progress and originally scheduled to complete by end of January 2018. Checkpoint reports indicate that this work stream is experiencing problems meeting the original commitment. Publica have raised that the work is behind schedule due to staff departure and expected to complete in early February. This situation will be monitored.
- 3.7 New and modified corporate processes - Work has been started by the Customer Relations team, initial reports indicate that work is ahead of schedule, the current date for completion is the 29<sup>th</sup> March 2018.
- 3.8 Data processors / sharers compliance – As advised by One Legal, work will not start until March 18.
- 3.9 SWAP Initial audit – SWAP have completed the fieldwork and compiled a report as scheduled. The report identified areas of risk flagged as red; the report has been reviewed accepted by the projects leadership team.
- 3.10 SWAP External audit – A second audit is scheduled to commence on the 16 April 2018.
- 3.11 Member training – Invitations have been sent to all members, the current response at time of writing is - 13 definite yes, 2 no and 7 tentative, 18 haven't replied.

3.12 Officer Training – Development of “All staff” training will begin in January 2018.

#### 4 Support and advice is currently available to members

4.1 Member training session – A training package, developed by One Legal is ready for delivery to all members on the 30<sup>th</sup> January 2018.

4.2 Resources from the Information commissioner. The Information commissioners website has dedicated resource for local government at this URL  
<https://ico.org.uk/for-organisations/local-government/>

4.3 Councillor registration with Information Commissioner – Failure to register when required to do so will become a criminal offence, the project team can provide a data sheet the covers the subject in detail for councillors who process personal data.

#### 5. Key points timeline

- Member Training 30<sup>th</sup> January 2018
- Policy approval processes March 2018
- All officer training delivery 1<sup>st</sup> March to 27 April 2018
- SWAP produce draft audit 16<sup>th</sup> April to 4<sup>th</sup> May 2018
- Project status report to Executive board 16<sup>th</sup> April 2018.
- General Data Protection Regulations effective 25<sup>th</sup> May 2018

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#### Background Papers

n/a

#### Contact Officer

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#### Accountability

Cabinet Member Corporate Services

# The Annual Audit Letter For Cheltenham Borough Council

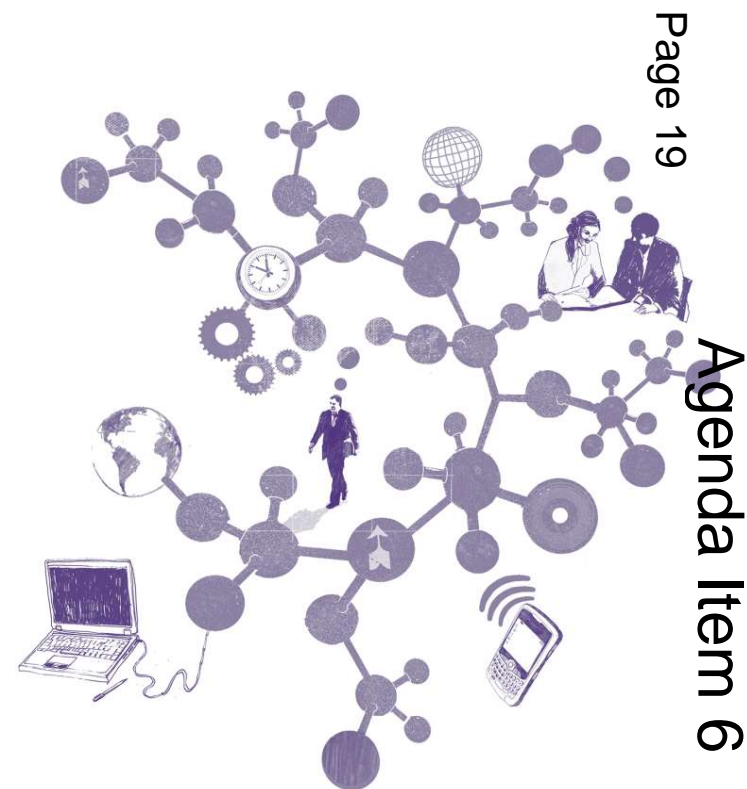
Year ended 31 March 2017

18 October 2017

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## **Appendices**

A Reports issued and fees

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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Cheltenham Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 20 September 2017.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the Council's financial statements on 21 September 2017.

### **Value for money conclusion**

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 21 September 2017.

### **Certificate**

We certified that we had completed the audit of the accounts of Cheltenham Borough Council in accordance with the requirements of the Code on 21 September 2017.

### **Certification of grants**

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

## Other work completed

GO Shared Services signed up to CFO Insights, a Grant Thornton tool which provides the Council with instant access to insight on the financial performance, socio-economic context and service outcomes of every council in England, Scotland and Wales. The Council pays a proportion of the cost of this subscription.

We also provided a VAT and Employment Tax Support service to GO Shared Services for 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, as a result, the service has been discontinued. The Council paid a proportion of the cost of this service.

The Council received Investors in People Accreditation during the period 1 April 2016 to 31 March 2017. The audit team was not involved in the IIP Accreditation process and the work was undertaken by a team independent to Grant Thornton and the audit team. The fee was not material to the audit and the scope of the work did not include making decisions on behalf of management but provided an assessment against a third party national accreditation framework.

## Working with the Council

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship:

- We shared our insight with you and provided regular audit committee updates covering best practice.
- We shared with you our thought leadership publications providing insight on topical issues in the sector including Local Authority Joint Ventures and Integrated Reporting.
- We held quarterly liaison meeting with the Head of Paid Service and Section 151 Officer to discuss emerging issues.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK |  
October 2017

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# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1,646,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality of £10,000 for disclosure of audit fees, and disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements.

We set a lower threshold of £82,300, above which we reported errors to the Audit Committee in our Audit Findings Report.

### **The scope of our audit**

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Section 151 Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of pension fund net liability</b> The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>Identified the controls in place by management to ensure that the pension fund liability is not materially misstated. We concluded that these controls were implemented as expected and they are sufficient to mitigate the risk of material misstatement</li> <li>Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out</li> <li>Undertook procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>Reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary</li> </ul>	<p>Our audit work did not identify any work in respect of the pension fund net liability.</p>
<p><b>Valuation of property, plant and equipment and investment property</b> 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>As part of our audit work we :</p> <ul style="list-style-type: none"> <li>Reviewed management's processes and assumptions for the calculation of the estimate.</li> <li>Reviewed the competence, expertise and objectivity of any management experts used.</li> <li>Reviewed the instructions issued to valuation experts and the scope of their work</li> <li>Held discussions with the Council's valuer about the basis on which the valuation was carried out, and challenged the key assumptions.</li> <li>Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding.</li> <li>Tested revaluations made during the year to ensure they were input correctly into the Council's asset register</li> <li>Evaluated 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 did not identify any significant issues in relation to this risk.</p>



# Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Employee Remuneration</b> Payroll expenditure represents a significant percentage of the Council's gross expenditure. 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>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle</li> <li>• Undertook a walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>• Undertook a trend analysis of months 1-12</li> <li>• Reviewed the reconciliation of the employee remuneration system to the general ledger</li> </ul>	<p>Our audit work did not identify any work in relation to this risk.</p>
<p><b>Operating Expenses</b> 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: Creditors and accruals understated or not recorded in the correct period.</p>	<p>As part of our audit work we :</p> <ul style="list-style-type: none"> <li>• Documented our understanding of processes and key controls over the transaction cycle</li> <li>• Undertook a walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>• Obtained an understanding of the accruals process</li> <li>• Undertook substantive testing of year end creditor and accrual balances.</li> </ul>	<p>Our audit work did not identify any significant issues in relation to this risk.</p>

# Audit of the accounts (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Changes to the presentation of local authority financial</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 affected 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 was also required.</p>	<p>As part of our audit work we :</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 were 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 requested that the Council update 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>

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# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 21 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable at the end of May 2017. The accounts were supported by good quality working papers. This is 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

The early production this year places the Council in a strong position to achieve the earlier deadline effective from 2017/18.

The finance team responded promptly and efficiently to our queries during the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 20 September 2017.

We recommended a number of adjustments to improve the presentation of the financial statements. No adjustments were identified that affected the Council's reported financial position.

We recommended that all journal entries posted by the Deputy Section 151 Officer be reviewed by the Section 151 Officer.

We also made recommendations to improve a small number of control weaknesses identified in relation to IT controls.

## **Annual Governance Statement and Narrative Report**

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the 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.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified and the work we performed is set out in the table overleaf.

As part of our Audit Findings report agreed with the Council in September 2017, we agreed two recommendations to address our findings:

- We recommended that management continue to monitor high risk savings within the balanced budget.
- We recommended that management continue to monitor the use of reserves when budget setting to ensure that into the medium term dependency on reserves is reduced.

## Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

# Value for Money

## Value for money risk

Risk identified	Work carried out	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 made two recommendations in relation to the Council's savings plan as set out on page 10.</b></p>

# Appendix A: Reports issued and fees

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

## Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of the Council	49,406	49,406	49,406
Housing Benefit Grant Certification	9,015	TBC	8,361
<b>Total fees (excluding VAT)</b>	<b>58,421</b>	<b>TBC</b>	<b>57,767</b>

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

## Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

## 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>

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\* 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

## Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- 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, as reported in our Audit Findings Report.



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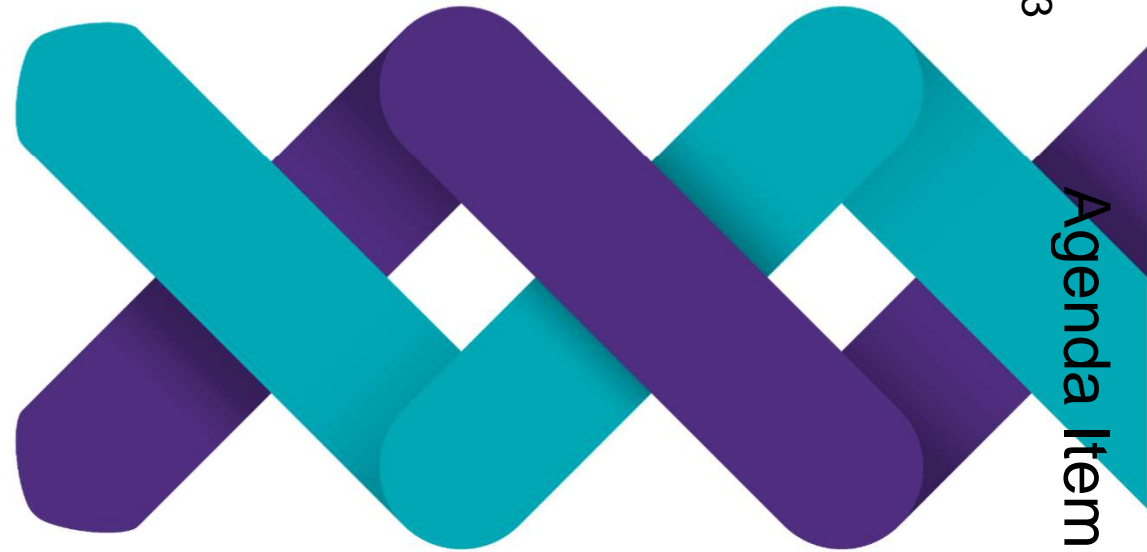
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# Audit Progress Report and Sector Update

Cheltenham Borough Council  
Year ending 31 March 2018

11 December 2017



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# Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to your council and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website.

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



# Progress at December 2017

## Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We are due to commence our interim audit on 22 January 2018. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the March Audit committee. The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We discuss our plan and timetable with officers.

The final accounts audit is due to begin on the 18 June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body 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 three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in December 2017 and report this to you in our Progress Report at the March Audit committee

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

### Meetings

We meet with Finance Officers as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also meet with your Chief Executive to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report. Our next Local Government Chief Accountant workshop will be held on 2 February 2018.

# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2017/18.	June 2017	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	To be presented
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	September 2018	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

# Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

[Public Sector](#)

[Local government](#)

# Combined Authorities: Signs of Success



In her foreword to ‘Building our Industrial Strategy’ the Prime Minister states that the initiative “will help to deliver a stronger economy and a fairer society – where wealth and opportunity are spread across every community in our United Kingdom, not just the most prosperous places in London and the South East.”

Combined Authorities (CAs) – the newest model for the governance of local public services – are central to this.

In response to this, Grant Thornton and Bond Dickinson have jointly commissioned a report which provides an insight into the establishment of each combined authority in the context of their specific challenges. It is still early days for most combined authorities – the political and administrative difficulties of adopting this model are not to be under-estimated - but early signs are emerging of their potential to innovate and drive success.

The report benchmarks combined authorities using key indicators of growth, housing, transport and skills amongst others. We have also used our Vibrant Economy Index, which goes beyond financial returns and takes into account the wellbeing of society, to compare city regions. We believe that these benchmarks can serve as a baseline for assessment of progress over time.

## Key findings from the report:

- CAs must begin to reduce the institutional blurring with historic local government structures that has occurred with their formation. As greater clarity emerges over their roles, functions, and profiles of individual mayors, their perceived legitimacy will increase.
- CAs stand and fall on their ability to add value through targeted investment, strategic co-ordination, joined-up policy and the leveraging in of additional resources (particularly additional private sector funds).
- There is no single checklist or set of criteria for measuring the success of mayors and combined authorities, each city region must articulate its own challenges and show progress in tackling them.
- A balanced set of benchmarks encompassing both economic and social success will, however, serve as a useful stimulus for the debate around the impact of the combined authority model over time.

[Click on the report cover to download and read more.](#)

Grant Thornton  
An insight for growth

Bond Dickinson

Combined Authorities:  
signs of success



# Setting up a successful social enterprise



Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended.

The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

## Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted exiting models into social enterprises; for example where a greater focus on social outcomes has been identified

[Click on the report cover to download and read more](#)

Grant Thornton  
An indirect for growth

Setting up a  
social enterprise





# The Board: creating and protecting value



In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Grant Thornton's new report 'The Board: creating and protecting value' is a cross-sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

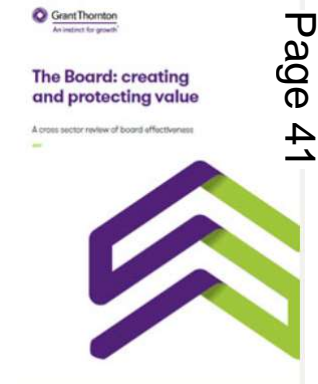
[This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance.](#)

This powerful tool provides a framework with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

[Click on the report cover to download and read more](#)

<b>Value creation</b>									
<b>Non-executives</b>	<table border="1"> <tr> <td style="background-color: #4a4a8a; color: white; text-align: center; vertical-align: middle;"><b>Directorship</b></td> <td> <p><b>How well do the non-executives:</b></p> <ul style="list-style-type: none"> <li>design, debate and decide the organisation's future?</li> <li>inspire and guide the executive to realise the organisation's purpose?</li> <li>provide support to the executives?</li> </ul> </td> <td style="background-color: #4a4a8a; color: white; text-align: center; vertical-align: middle;"><b>Leadership</b></td> <td> <p><b>How well do the executives:</b></p> <ul style="list-style-type: none"> <li>Make decisions aligned with realising the organisation's purpose?</li> <li>Inspire and motivate employees to realise the organisation's purpose?</li> <li>model the values of the organisation?</li> </ul> </td> </tr> <tr> <td style="background-color: #4a4a8a; color: white; text-align: center; vertical-align: middle;"><b>Assurance</b></td> <td> <p><b>How well do the non-executives:</b></p> <ul style="list-style-type: none"> <li>monitor financial, compliance and business indicators?</li> <li>ensure appropriate processes are in place to manage risk?</li> <li>have oversight of the executive team?</li> </ul> </td> <td style="background-color: #4a4a8a; color: white; text-align: center; vertical-align: middle;"><b>Management</b></td> <td> <p><b>How well do the executives:</b></p> <ul style="list-style-type: none"> <li>set goals, creating plans and allocating resources to achieve them?</li> <li>effectively assign roles and responsibilities?</li> <li>Focus on day-to-day tasks and resources needed to deliver strategic aims?</li> </ul> </td> </tr> </table>	<b>Directorship</b>	<p><b>How well do the non-executives:</b></p> <ul style="list-style-type: none"> <li>design, debate and decide the organisation's future?</li> <li>inspire and guide the executive to realise the organisation's purpose?</li> <li>provide support to the executives?</li> </ul>	<b>Leadership</b>	<p><b>How well do the executives:</b></p> <ul style="list-style-type: none"> <li>Make decisions aligned with realising the organisation's purpose?</li> <li>Inspire and motivate employees to realise the organisation's purpose?</li> <li>model the values of the organisation?</li> </ul>	<b>Assurance</b>	<p><b>How well do the non-executives:</b></p> <ul style="list-style-type: none"> <li>monitor financial, compliance and business indicators?</li> <li>ensure appropriate processes are in place to manage risk?</li> <li>have oversight of the executive team?</li> </ul>	<b>Management</b>	<p><b>How well do the executives:</b></p> <ul style="list-style-type: none"> <li>set goals, creating plans and allocating resources to achieve them?</li> <li>effectively assign roles and responsibilities?</li> <li>Focus on day-to-day tasks and resources needed to deliver strategic aims?</li> </ul>
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<b>Value protection</b>									

Source: The Board: Creating and protecting value, 2017, Grant Thornton



# Code of Practice on Local Authority Accounting and IFRS 9 and IFRS 15

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18 which specifies the principles and practices of accounting required to prepare a Statement of Accounts.

The main changes to the Code include:

- amendments to section 2.2 for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 to introduce key reporting principles for the Narrative Report
- updates to section 3.4 covering the presentation of financial statements to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 affecting the Housing Revenue Account, to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 relating to the Accounting and Reporting by Pension Funds, to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Alongside the Code, CIPFA has also published Guidance Notes for Practitioners and a Disclosure Checklist for 2017/18 Accounts.

These publications may be obtained from CIPFA and are available [here](#).

CIPFA  
The Chartered Institute of  
Public Finance & Accountancy

code of practice on  
local authority accounting  
in the United Kingdom 2017/18



CIPFA/LASAAC has issued a companion publication 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'.

Looking further ahead, this sets out the changes to the 2018/19 Code in respect of [IFRS 9 Financial Instruments](#) and [IFRS 15 Revenue from Contracts with Customers](#). It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

IFRS 15 establishes a new comprehensive framework for revenue recognition and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

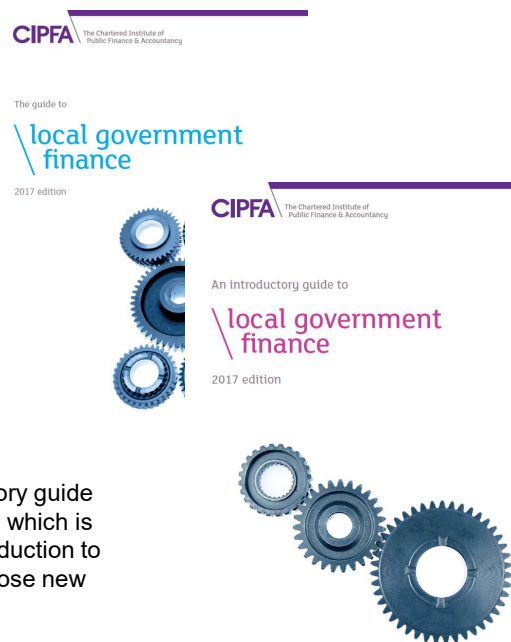
An Early Guide for Local Authority Practitioners covering IFRS 9 Financial Instruments is to be published in December 2017.

# CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.



CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.

CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

# DCLG Consultation

## DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

### Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

### Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

# Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available [here](#).

## Did you know....

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

CFO Insights

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# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

<http://www.cfoinsights.co.uk/>

## CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

## DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>



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# Cheltenham Borough Council

## Report of Internal Audit Activity

Plan Progress 2017/2018

January 2018



## Contents

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➔	Internal Audit Work	Page 2
➔	Approved Changes to the Audit Plan	Page 3
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	Appendix B – Internal Audit Work Definitions	Page 9 – 10
	Appendix C – Executive Summary of Finalised Audit Assignments	Page 11 – 20

## 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 five audit reviews since the last meeting of this Committee. I am pleased to report that the audit reviews have not returned an adverse audit opinion of either ‘No Assurance’ or ‘Partial’ Assurance. Further to this, the reviews have not identified any significant risks that I need to bring to your attention. Further information on the finalised reviews 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.

The Device Strategy has been dropped from the plan, with agreement with the S151 Officer and has been added back into contingency.

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			
Key Control	Treasury Management and Bank Reconciliations	Q2	Final	Substantial	0						See Appendix C
ICT	EU General Data Protection Regulations	Q2	Final	Non – Opinion							See Appendix C
Operational	Elections	Q4	Final	Substantial	0						See Appendix C
Operational	Damages Recovery	Q3	Final	N/A	0						See Appendix C
Governance, Fraud & Corruption	Risk Management	Q2	Final	Substantial	1			1			See Appendix C
Operational	MTFS	Q4	Draft	Reasonable	3			3			See Appendix C
<b>DRAFT</b>											
Operational	Ubico Recyclates	Q2	Draft								Waiting Management Response
Operational	Ubico Data Monitoring	Q2	Draft								Waiting Management Response

Page 54

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Operational	S106 Agreements and Funds	Q2	Draft								Waiting Management Response
Key Control	Other GOSS Area (Procurement / Insurance / H&S)	Q3	Draft								Waiting Management Response
<b>IN PROGRESS</b>											
Key Control	Accounts Payable (Creditors)	Q3	In Progress								Transactional Testing Complete. Control / process review in progress
Key Control	Payroll	Q3	In Progress								Transactional Testing Complete. Interim report issued for control / processing areas. Testing will re-commence following transfer to Publica
Key Control	Council Tax Benefit	Q3	In Progress								
Key Control	Council Tax	Q3	In Progress								

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Key Control	NNDR	Q3	In Progress								
ICT	Protection from Malicious Code	Q3	In Progress								
ICT	ICT Policies	Q3	In Progress								
Key Control	Serious and Organised Crime Checklist	Q4	In Progress								
Key Control	Serious and Organised Crime Audit	Q4	In Progress								
Key Control	Fighting Fraud and Corruption	Q4	In Progress								
Key Control	Main Accounting, Budgetary Control and Capital Accounting	Q3	In Progress								
Key Control	Accounts Receivable (Debtors)	Q3	In Progress								
<b>NOT STARTED</b>											
Key Control	Business World System Administration	Q3									
Key Control	Human Resources	Q3									
ICT	Public Services Network Submission	Q3									
Governance, Fraud & Corruption	Audit Committee Effectiveness (Annual)	Q4									



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Governance, Fraud & Corruption	Performance Management	Q4									
Key Control	IR35	Q4									
ICT	ICT	TBC									
<b>ADVICE AND CONSULTANCY</b>											
Non Opinion	2020 Vision Programme	Ongoing									
Non Opinion	Cemetery and Crematorium Development	Ongoing									
Advice	Ubico	Ongoing									
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

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
<b>OTHER INTERNAL AUDIT INVOLVEMENT</b>											
Advice	Management	Ongoing									
Follow Up	Safeguarding	Q4	Review Initiated								
Follow Up	2016/17 Follow Up Reviews	Ongoing									
	Contingency Days	Ongoing									
<b>DROPPED</b>											
ICT	Device Strategy										Days added back into contingency

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>	▲ ★ ★ ★	<p>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.</p>
<b>Reasonable</b>	▲ ★ ★ ★	<p>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.</p>
<b>Partial</b>	▲ ★ ★ ★	<p>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.</p>
<b>No Assurance</b>	▲ ★ ★ ★	<p>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.</p>

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.

#### **Treasury Management and Bank Reconciliation – 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 Treasury Management (TM) and Bank Reconciliation across the Publica/GOSS clients, which includes Cheltenham Borough Council.

CIPFA defines Treasury Management (TM) as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks." The importance of Treasury Management to an organisation is evident from the CIPFA definition, and as such is included in each year's internal audit plan for review.

Bank reconciliation is one of the primary key financial controls to detect fraud and error, and as such it is very important to provide assurance that this fundamental control is being undertaken correctly on a regular basis. Consequently, bank reconciliation is also included in each year's internal audit plan for review.

Well controlled areas include:

- Business Continuity Arrangements – Officers trained to cover absences.
- Negotiating investment - in accordance with the Investment strategy set for the financial year.
- Keeping up to date with the latest regulations – Recent attendance at CIPFA workshop.
- Carry out daily cash management – Use of Lloydslink and Logotech TM system
- Regular reconciliations – Timely and signed reconciliations completed

Our testing found that sound controls are operating in the areas we reviewed during this audit and therefore there are no recommendations to be made this year.

### **EU General Data Protection Regulations (EU-GDPR) – Non-Opinion**

#### **Background**

The European General Data Protection Regulations (GDPR) was enacted in May 2016 and comes into force on the 25th of May 2018 (the GDPR 'effective date'). This has allowed organisations a period of time in which to ensure that their current data processing activities are compliant with the requirements of the GDPR. GDPR is the new legislation covering the processing of personal data previously covered by the Data Protection Act 1998 (DPA). GDPR is currently being incorporated into the Data Protection Bill together with the Crime Directive and incorporates the derogations the UK wishes to allow for under the GDPR.

Many of the main principles within the GDPR are the same as those in the current Data Protection Act, so if the authority is complying with current legislation this will be a good starting point to build upon when considering GDPR. However, there are some elements within the GDPR which are new or enhanced – such as accountability – that will require further work by organisations. Other key areas requiring consideration include compulsory reporting of data breaches within 72 hours of becoming aware and reduced timeframes in which to respond to data subject access requests. The new regulations increase the rights of the individual in relation to their personal data.

If the required controls are not put in place by the GDPR effective date, there is a greater risk that the control and processing of personal data will be in contravention of the GDPR. The GDPR not only tightens the reporting requirements of data breach reporting, but also introduces a significant increase to fines as a result of non-compliance with the regulations when compared with the DPA. All of this culminates in significant financial, legal and reputational risk to the Council.

#### **Purpose and Objective**

The purpose of this audit is to review the arrangements that the Council has in place to address the requirements of the GDPR, ensuring its compliance by the effective date. The objective of the review is to

provide assurance that the Council has an effective transition plan in place, which is being measured and reported on to ensure that the organisation will be compliant with GDPR from the 25th of May 2018.

This report reflects the status of the project at the time fieldwork was completed – during August and September 2017. Although the focus of this review included identification of risk and any evidence available to support controls already in place, we are unable to offer assurance on controls which are planned but not yet implemented.

Due to the structure of the project action plan, some of the activities intended for review (as per the scope) had not been started at the time the audit fieldwork was completed as their commencement was reliant on the completion of initial data audits. This is reflected in the absence of any findings in this report relating to these areas. These areas will be reviewed and reported on as part of a planned follow-up audit in April 2018.

#### Summary of Findings and Conclusion

The Council is undergoing significant information gathering and implementing process changes to ensure GDPR compliance is met. These new controls are currently in their planning and early implementation stages, and therefore are yet untested. The possible impact to the Council is based on current information that fines for non-compliance with GDPR could reach €20 million.

We have seen that a Project Board has been established, a Project Initiation Document (PID) has been developed including an initial action plan and resource has been allocated - preparations towards compliance are underway. Due to the project being in the early stages of implementation and the potential level of reputational and financial risk relating to non-compliance with the GDPR, we have categorised the overall risk at the time of this review as 'High'.

The next step of the project is for the data audits to be completed and the results are to be analysed in a timely manner. From this, a gap analysis will be carried out which will allow for the action plan and project deliverables to be more detailed – reflective of the fact that these are live working documents. As the project and the detailed action plan progresses, additional controls will be implemented and tested. As a result of

this, we expect that our assessment of the risk level could reduce to 'Medium' in the short-term.

The Council has made a successful start to the implementation of the GDPR by the 25th of May 2018. The GDPR Action Plan that has been developed provides a strong initial framework of activities that need to be completed and key deliverables which, if followed, should allow the Council to be compliant with the GDPR by the required date. As a live working document, the Action Plan needs to be continually developed and detail added as the project progresses to ensure this result.

### **Elections – Substantial Assurance**

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for the administration of Elections and the Electoral Registration process. The focus of the review was on the administration and control of funds relating to local, county, and national elections delivered by Cheltenham Borough Council (CBC).

The Electoral Commission (EC) provides guidance and templates to assist Returning Officers, who are personally liable to deliver successful elections. Each different election type has a different source of funding:

- District (local) elections are funded by CBC
- County Council elections are funded by Gloucestershire County Council (GCC)
- Referendums, UK Parliamentary, Police and Crime Commissioner (PCC) and European Elections are funded by Central Government bodies

For elections where funding is outside of the local authority, accounts must be produced to support a claim to obtain the relevant funds and evidence must be retained to support expenditure.

In the last two years there have been five elections; EU referendum, PCC, General Election, County Council and Local Elections. Review and examination of processes operating for 3 of these elections found that robust financial management was being applied which was in accordance with the requirements of statutory



bodies and the Council's own Financial Rules. Each election had been satisfactorily delivered and funding received where applicable.

CBC has a statutory duty to produce and maintain an electoral register on an annual basis. In 2014, Individual Electoral Registration (IER) was introduced to replace householder registration. The Cabinet Office (CO) committed to funding the transition to IER and has maintained annual funding since its introduction.

Our examination and sample testing of processes operating within the Electoral Registration process found that statutory timeframes had been met and that the percentage return of the Household Enquiry Forms had increased from 95.6% in 2015 to 97.2% in 2016. Expenditure related to this process also proved to be effectively controlled.

Well controlled areas include:

- The use of an external individual to verify/check financial accounts and claims is in line with good practice as set out by the Electoral Commission.
- The recent introduction of tablets for canvassers, has expedited the electoral registration process (due to real time results). The roll out of tablets has been well managed with procedure notes drafted for office staff and multiple training sessions for canvassers.
- The Elections & Registration manager co-ordinates with GO-Shared services when planning a budget for an upcoming election.

In summary, we can confirm that robust controls are operating within the areas reviewed.

### Damages Recovery – Non-Opinion

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Damages Recovery (recovering monies from liable parties for damage repairs that the Council has had to undertake). This review does not include damage to the housing stock.

To be able to pursue recovery of costs associated with damage, either vandalism or accidental, the perpetrators of the damage need to be identified. However, perpetrators are often unable to be identified unless a criminal investigation is undertaken. In addition, it is important to ensure the balance between cost recovery and officer time involved in pursuing recovery is considered prior to undertaking recovery actions.

Our review of how the Council approaches cost recovery has found that for the period April 2015 to April 2017 the Council did not recover any damage related costs. During this period there were a total of 29 reactive repairs undertaken, the total cost of these repairs was £4,423. These repairs generally related to damage to doors/windows as a result of break ins, or cleaning of graffiti. There was one repair attributed to the bridge on the Lower High Street, for which the cost incurred by the Council was £189 + vat.

We also held discussions with the GO Shared Services Insurance Officer who confirmed that an excess amount of £1,000 is applicable on insurance claims and that he was not aware of any incidents where a claim would be appropriate. Our review of the repairs expenditure can confirm that there were no individual amounts which could be pursued via the insurance process.

We can confirm that health and safety considerations are taken into account and damage related incidents are actioned promptly to ensure that the damage is made safe.

Inspections are undertaken promptly, and repair works awarded to Council approved contractors so that the damage is addressed swiftly.

We do not consider it appropriate to offer an assurance opinion as our review has found that damage to Council property is infrequent, the costs associated with repairs is minimal, and therefore formal processes and procedures to recovery costs have not been undertaken.

### **Risk Management – Substantial Assurance**

As part of the 2017/18 audit plan a high-level review of Risk Management processes at Cheltenham Borough Council (CBC) has been undertaken and the effectiveness of these processes in relation to a major programme, the Cheltenham Crematorium Development, has also been examined.

Planning permission was granted for the Crematorium Development in Summer 2017, work started on the first phase in October 2017 and the programme has a target completion date of Spring 2019. Pick Everard have been appointed to provide project management and quantity surveying support and Willmott Dixon have been appointed as principal contractor.

During this audit, discussions were held with the Governance, Risk and Compliance Officer and the Programme Manager of the Cheltenham Crematorium Development. We also had access to the CBC website, staff intranet and shared drive.

CBC's 2017 Risk Management policy has been approved by Members (March 2017) and is available on the CBC website and internal intranet for Council employees and Cheltenham residents to access. The policy includes processes for identifying, assessing, scoring, reporting and monitoring all levels of risk, and risk responsibilities have been assigned.

We established that risk registers are kept as follows at CBC;

- Corporate Risk Register
- Divisional Risk registers
- Project / Programme Risk Registers

The Risk Registers reviewed were found to be maintained, reviewed and scored in accordance with the policy.

A risk training workshop was delivered to all Service Managers and Directors (November 2016). Previously, a self-led risk course held on the Learning Gateway was available to all Officers, but this service is now not in place. The Governance, Risk and Compliance Officer confirmed once a replacement system is operating they will ensure risk management training material is accessible.

Risk management processes operating in relation to the Cheltenham Crematorium Development programme were found to be implemented in accordance with those outlined in the policy.

Well controlled areas include:

- We found that processes operated well in the following areas:
- Risk Registers – Evidence was seen to support that risks are recorded and scored in accordance with the Risk Management policy and are regularly reviewed by appropriate Officers.
- Programme Risk reporting, monitoring and review – Highlight reports were seen to support that programme risks are regularly reported to the Senior Leadership Team (SLT) and meeting minutes confirm that risks are also reported to Members for them to monitor and review.

From the high-level review of current risk management arrangements and processes undertaken, we can offer substantial assurance they are being carried out in line with policy and should help to manage risk and support the delivery of CBC's objectives at all levels of the organisation.

### Medium Term Financial Strategy – Reasonable Assurance

As part of the Cheltenham Borough Council 2017-18 audit plan, a review has been undertaken on the Medium Term Financial Strategy (MTFS).

The focus of the audit has been on the items in the Savings Strategy section of the MTFS, and the adequacy of the controls and procedures in place for ensuring these are monitored effectively has been assessed. Three large corporate projects which are expected to deliver savings and are included in the Savings Strategy have been examined in more detail, although only from the perspective of the MTFS savings. These are:

- 3a) Depot Rationalisation
- 3b) Municipal Offices – the Accommodation Strategy - Relocation project
- 4b) West Cheltenham – increase in business rates

In their Audit Findings report for 2016-17, Grant Thornton, the Council's external auditors made a recommendation in relation to the Council's savings plan, stating *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.*

The MTFS is updated annually and is usually submitted to the Cabinet for approval in October. The next version is currently being written and is due to be submitted for approval in December. Members were advised of the delay, which was attributed to uncertainty surrounding business rates retention, new homes bonus and pay awards for the public sector.

There is a corporate project - Bridging the Gap – to monitor the progress of the savings. In the August 2017 report the project sponsor, the Chief Finance Officer, stated that red-rated savings targets have significant risks associated with them. Traffic light (RAG) ratings are used to summarise the status – the project is

currently rated amber (defined as *progress is delayed and mitigating actions are in place*).

Reporting to members is via the quarterly budget and performance monitoring report taken to the Cabinet and Overview and Scrutiny committee.

As at August 2017, £958k of savings in the MTFS were rated red (defined as *will not meet end date without management intervention*), and an additional £100-300k of amber-rated savings are not expected to be achieved and are likely to be red-rated in the future.

The next version of the MTFS, for the period 2018-19 to 2020-21, was taken to the Council's Cabinet in December 2017. The Savings Strategy within the MTFS has been revised to align with the Council's new proposed Executive team structure of Place and Growth; People and Change; and Finance and Assets, together with a planned and proactive approach to the use of reserves. Savings are grouped under each theme; and although savings for individual projects will continue to be monitored, there will be more focus on the overall savings position for each theme, and so a more holistic approach.

**Cheltenham Borough Council**  
**Audit Committee – 10 January 2018**  
**Annual Governance Statement 2016/17**  
**Significant Issues Action Plan**

<b>Accountable member</b>	Cabinet Member Corporate Services, Councillor Roger Whyborn
<b>Accountable officer</b>	Pat Pratley
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>At its meeting on 14<sup>th</sup> June 2017 the Audit Committee approved the Annual Governance Statement (AGS) for 2016/17 and adopted it as part of the Annual Statement of Accounts.</p> <p>The AGS contained a Significant Issues Action Plan and this report identifies progress to improve upon those issues.</p> <p>The Annual Internal Audit Opinion presented to Audit Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Monitoring Report, however, is designed to give the Audit Committee the opportunity to comment on the work completed by the partnership and provide ‘through the year’ comment and assurances on the control environment.</p>
<b>Recommendations</b>	<b>To note the progress that has been made against the actions</b>
<b>Financial implications</b>	<p>There are no financial implications</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>There are no legal implications</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>There are no HR implications</p> <p><b>Contact officer: Julie McCarthy</b></p>
<b>Key risks</b>	None arising from this report.
<b>Corporate and community plan Implications</b>	Good governance helps to deliver the Council’s aspirations to be an excellent, efficient and sustainable Council.
<b>Environmental and climate change implications</b>	None

<b>Property/Asset Implications</b>	<b>Page 72</b> <b>Contact officer: David Roberts@cheltenham.gov.uk</b>
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## 1. Background

- 1.1** The Accounts and Audit (Amendment) (England) Regulations 2011 and, from 1 April 2015, the Accounts and Audit Regulations 2015 require Councils to conduct an annual review of the effectiveness of its system of internal control, including the arrangements for the management of risk. Following the review, the Council must approve an Annual Governance Statement (AGS).

The AGS reflects on the outcome of that review and identifies any significant issues arising from it. The Audit Committee recommended in June 2017 the approval of the AGS and noted the content of the Significant Issues Action Plan.

## 2. Progress

- 2.1** The 2016/17 Significant Issues Action Plan (Appendix XX) identified five areas of concern:

- Contract Management – compliance matters (2020 / Publica)
- Records Maintenance – Safeguarding Training
- Health & Safety processes – Personal Security
- Publica – Governance
- General Data Protection Regulation (GDPR)

- 2.2** Progress has been monitored through 2017/18 by means of Internal Audit reviews, planned follow-up audits and discussion with Service Managers, the action plan has been updated with the findings.

<b>Report author</b>	<b>Lucy Cater, Assistant Director, South West Audit Partnership</b> <a href="mailto:Lucy.cater@cotswold.gov.uk">Lucy.cater@cotswold.gov.uk</a> / <a href="mailto:lucy.cater@southwestaudit.co.uk">lucy.cater@southwestaudit.co.uk</a> <b>01285 623340</b>
<b>Appendices</b>	1. Significant Issues Action Plan 2016/17



**Significant Issues Action Plan 2016/17 – December 2017 Update**

Area	Control Issue	Update
Contract Management – compliance matters (2020 / Publica)	Some internal audit reviews are highlighting that there is a degree of non-compliance with Council policies and procedures. As service delivery will transfer to the Publica companies during 2017/18, the Council needs to ensure that Publica takes steps to address compliance issues to minimise risk to the Council.	A follow-up review is in progress and is anticipated to be completed by the end of the financial year.
Records Maintenance – Safeguarding Training	A number of recommendations were made to improve Safeguarding arrangements in place at the Council	Internal Audit has commenced the follow-up review.
Health & Safety processes – Personal Security	Due to the timing of the Health and Safety (Personal Security) audit, a follow-up review was conducted during 2016/17. The follow-up has identified that a number of recommendations are in progress and remain outstanding but good progress is being made by the services. Further follow-up will be planned for 2017/18	All recommendations have been implemented, except one. The remaining recommendation is in respect of the updating and publishing of policies, this has been delayed due to Publica and is now planned for completion by February 2018
Publica - Governance	Plan for and implement any changes to governance arrangements that arise from Publica becoming the deliverer of some Council services	<p>Whilst no activity has been undertaken specifically for the Council, work has commenced on a review of policies and procedures on behalf of the other Publica partner councils. Once finalised we will undertake a review of the elements that are specific to the Council.</p> <p>A review of Benefits Realisation is being planned to be undertaken in 2017/18.</p>
General Data Protection Regulation (GDPR)	The Data Protection Regulatory framework is due to change in May 2018. The Council needs to take action to ensure it is compliant with the new requirements.	<p>Cheltenham Borough Council has a project to establish, address and implement the requirements of the EU GDPR by the 25th of May 2018.</p> <p>Internal Audit has undertaken a review the progress of implementation and observations have been made to aid the progression and successful implementation of the GDPR by the required target date.</p>

		A follow-up piece of work is planned for April 2018 to provide assurance on the final stages of delivery of the project, and the implementation of the requirements of the GDPR by the target date.
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Audit Committee 2017-18 work plan

Item	Author
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<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
GDPR progress update (and details of what is available to members)	TBC
<b>21 March 2018 (Report deadline: Mon 12 March)</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
Review of draft accounting policies 2017/18	Finance
<b>25 July 2018 (Report deadline: Mon 16 July)</b>	
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
Audit highlights memorandum - ISA 260 (for the previous year) inc. Financial Resilience	Grant Thornton
Statement of Accounts (previous year) (inc. letter of representation)	Finance Team
Modern Slavery Reception Centre Protocol	Tracy Brown
Future meeting dates will be agreed in May 2018	

Audit Committee 2017-18 work plan

Item	Author
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<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
	Audit highlights memorandum - ISA 260 (for the previous year) inc. Financial Resilience	Grant Thornton
	Statement of Accounts (previous year) (inc. letter of representation)	Finance Team
September	Internal audit monitoring report	Internal Audit
	Counter Fraud update and future work provision	Counter Fraud Unit