



Notice of a meeting of Audit Committee

**Wednesday, 19 September 2018
6.00 pm
Pittville Room, Municipal Offices**

Membership	
Councillors:	Steve Harvey (Chair), David Willingham (Vice-Chair), Victoria Atherstone, Matt Babbage, Jonny Brownsteen, Jo Stafford and Tony Oliver

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

Agenda

1.	APOLOGIES	
2.	DECLARATIONS OF INTEREST	
3.	MINUTES OF THE LAST MEETING	(Pages 3 - 8)
4.	PUBLIC QUESTIONS These must be received no later than 12 noon on the fourth working day before the date of the meeting	
5.	AUDIT PROGRESS REPORT AND SECTOR UPDATE Grant Thornton	(Pages 9 - 24)
6.	ANNUAL AUDIT LETTER Grant Thornton	(Pages 25 - 42)
7.	PUBLICATION LETTER Grant Thornton	(Pages 43 - 44)
8.	INTERNAL AUDIT MONITORING REPORT Internal Audit	(Pages 45 - 82)
9.	COUNTER FRAUD UPDATE AND FUTURE WORK PROVISION Counter Fraud Unit	(Pages 83 - 88)

10.		WORK PROGRAMME	(Pages 89 - 92)
11.		ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION	
12.		DATE OF NEXT MEETING 23 rd January 2019.	

Contact Officer: Sophie McGough, Democracy Officer, 01242 264130
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Audit Committee

**Wednesday, 25th July, 2018
6.05 - 7.15 pm**

Attendees	
Councillors:	David Willingham (Vice-Chair), Victoria Atherstone, Matt Babbage, Jonny Brownstein, Jo Stafford, Roger Whyborn (Reserve) and Paul McCloskey (Reserve)
Also in attendance:	Sarah Didcote, Paul Jones, Sophie Morgan-Bower, Barrie Morris, Ian Baker and Jaina Mistry

Minutes

1. APOLOGIES

Apologies had been received from Councillor Harvey and Councillor Oliver.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE LAST MEETING

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

Upon a vote it was unanimously

RESOLVED that the minutes of the meeting held on the 18 April 2018 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

There were no public questions.

5. ANNUAL INTERNAL AUDIT OPINION 2017/18

Ian Baker, Director at South West Audit Partnership, introduced the Internal Audit Annual Opinion. The Annual Opinion, set out at Appendix 1, was based on the assessed adequacy of control; based on risk-based audits which had been undertaken during the year and other advice and consultancy work on control systems, as well as the results of any external inspections including the work of the External Auditor. Overall, the opinion was that 'reasonable assurance' could be given that there was a sound system of internal control and that controls were being applied consistently.

Mr Baker proceeded to explain that the summary of audit work completed for the 2017/18 period was highlighted at page 5 of the report, the reasons for the variations in audits planned were also highlighted in this section. He informed the committee that 3 significant corporate risks had been identified during the course of the audit programme of work for 2017/18, these were: Publica, GDPR and Ubico Recyclates, the details of each were outlined on page 7 of the report. He further advised that the summary of audit opinion had identified a healthy

position with a high percentage of audits reaching 'substantial' control assurance. Mr Baker assured the Audit committee that following an independent assessment they had been found to be in conformance with the Code of Ethics and standards for the professional practice of internal auditing.

Jaina Mistry, Principal Auditor for SWAP proceeded to give an update on the work completed since the report. She explained that 5 audits had been completed all of which had resulted in 'reasonable assurance'.

The following responses were given to Member questions;

- In comparison to other council's CBC's position was positive, particularly due to the high percentage of audits reaching 'substantial' control assurance. Mr Baker explained that they were in the process of producing a comparator table, highlighting the position of other council's in the partnership.
- More work was being done on the expenditure and procurement within Ubico and once this work had been completed SWAP would do a follow up audit.
- A number of ICT audits were planned, although these had not yet been fully agreed by the ICT support services.
- Since cyber security appeared to be a common theme across the council's in the partnership, SWAP would make a cyber security audit a priority. As requested, dialogue would be had with the relevant Cabinet Member and contract monitoring officer.
- Whilst no council was 100% ready for GDPR, SWAP were confident that CBC were doing everything reasonably possible to mitigate the risks and this would be recognised by the Information Commissioner's Office.

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

Upon a vote it was unanimously

RESOLVED that the report be noted.

6. ANNUAL AUDIT FEE LETTER FOR 2018/19

Sophie Morgan-Bower, Audit Manager for Grant Thornton referred members to the fee letter which had been sent to the Chief Executive of Cheltenham Borough Council in April.

The letter set out the proposed work programme and associated fees for the ensuing year (2018/19). She advised that the Public Sector Audit Appointments Ltd (PSAA) had published the 2018/19 scale fees for opted-in bodies in March 2018 and individual scale fees had been reduced by 23% to £38,043.

There were no Members questions arising from the fee letter.

There were no resolutions arising from this report.

7. DRAFT AUDIT FINDINGS REPORT - ISA260 INCLUDING FINANCIAL RESILIENCE

Barrie Morris of Grant Thornton (GT), introduced the report as circulated with the agenda. He firstly wished to commend the officers for the good standard of responses GT had received to any queries.

He explained that when performing their audit work, GT applied the concept of materiality and overall materiality had been determined to be £1,606,000 (2% of gross expenditure), though the materiality was lower for more sensitive transactions, balances or disclosures. He advised that they had reviewed the Section 151 Officer's assessment and were satisfied that the Going Concern Basis was appropriate for the 2017/18 financial statements. They had also identified the valuation of the pensions fund net liability as a risk requiring special audit consideration, however, following a review of this and the accounting treatment of the early repayment of 7.1m paid across to the pension fund they had identified no issues.

He informed the committee that a number of IT deficiencies had been identified as part of their 2017/2018 IT review. These were outlined on page 11 -16 of the report where a breakdown of the associated risks for each deficiency were also outlined. He reported that 3 new risks had also been identified during the course of the audit that had not been communicated in the Audit plan, these included the consolidation of Publica, Lender Option Borrowing Options (LOBOs) and Ubico Vehicle lease. Mr Morris proceeded to give an update on each new identified risk. He reported that the Council had decided not to consolidate Publica into the Group's accounts for 2017/18, however, the council would monitor this position on an annual basis to see if the position changes. Whilst the LOBO's had been subjected to increased scrutiny, GT had identified no significant issues with the accounting treatment of them. He explained that GT were satisfied with the Council treatment surrounding the Ubico Vehicle Lease, however, they had observed that a formal agreement regarding the use of these vehicles had not been put in place and recommended that the agreement be formalised.

The committee were advised that all the accounting policies were showing green which indicated that the policies were appropriate and disclosures sufficient. GT had also sent out confirmation request to the bodies with which the Council held investment, cash and debt balances and positive confirmation had now been received from all but two of the third parties. They did however stress that they were confident through alternative testing that the arrangements were in place and the lack of responses had not impacted upon the overall conclusion.

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. In conducting this assessment GT had identified two potential risk areas; the Council's Medium Term Financial Strategy and the Council's arrangements for the establishment of Publica Group. Mr Morris noted that this was not an assessment of Publica itself just the governance arrangements.

In mitigating the risks of the medium term financial strategy GT had made two recommendations to monitor the high risks saving within the balanced budget and monitor the use of reserves when budget setting. With regards to the

Council's arrangements for the establishment of Publica Group, GT recommended that the liaison and communication arrangements between Members and Publica be formalised to ensure members have the opportunity to challenge and scrutinise Publica's performance.

Mr Morris also wanted to make the committee aware of a potential breach of the ethical standards following a discovery that a person engaged with the firm was also the Chair of Publica. He advised that the persons contract had subsequently been terminated with the company and there had been no impact on the audit of the council.

Sophie Morgan, also of GT, proceeded to summarise the recommendations as a result of the issues identified during the course of the audit work. These included:

- Continuing to monitor the red-rated savings within the balanced budget;
- Continuing to monitor the use of reserves when budget setting;
- Formalising liaison and communication arrangements between members and Publica;
- Implementing the recommendations arising from the IT review; and
- Formalising the lease between Ubico and CBC.

She reported that of those issues identified during the audit for the previous year (2016/17) two of the risk still remained valid, these were in relation to the balanced budget and the budget strategy reserve. She advised that there were also 2 minor disclosures outlined on page 36 of the report which were worth noting.

The following responses were given to Members questions:

- GT would confirm who the organisations were who had not provided responses to there confirmation requests.
- The Deputy Section 151 Officer confirmed that red rated savings referred to target savings in the medium term strategy such as becoming more commercial and further investment in the Council's portfolio. She advised that these were highlighted in the budget papers and could issue a copy if necessary.

No decision was required.

8. STATEMENT OF ACCOUNTS (2017/18) (INC. LETTER OF REPRESENTATION)

The Deputy Section 151 Officer introduced the Statement of Accounts 2017-18, she reported that the Council was in a good financial position and they were not anticipating any financial difficulties. There had been no major changes in comparison to previous years which meant that there were no major risks.

Members commended officers for their hard work in producing the statement of accounts and thanked them for the clear narrative within the report. One Member noted that it would be helpful to have the Audit training before the Statement of Accounts were issued and requested this be considered in future.

Upon a vote it was unanimously

RESOLVED that:

- a. **The accounts for the year ended 31 March 2018 be approved.**
- b. **The Statement of Accounts and letter of representation be signed by the Vice Chairman of the committee and the Section 151 Officer.**

9. AUDITING STANDARDS - COMMUNICATING WITH THE AUDIT COMMITTEE

In accordance with the International Auditing Standards, Grant Thornton were required to obtain an annual understanding of how those charged with governance had exercised oversight of management's processes for identifying and responding to risks of fraud and the internal control that management had established to mitigate these risks. As such, letters had been sent to the Chairman (Councillor Harvey) and the Section 151 Officer with a set of questions designed to cover the requirements of the auditing standards.

The committee reviewed the responses given by the Chairman and senior management and upon a vote it was unanimously

RESOLVED that the response be approved and signed by the Vice Chairman, on behalf of the Chairman.

10. WORK PROGRAMME

The work programme had been circulated with the agenda.

Sophie Morgan noted that an Audit Update from Grant Thornton should be added to the work plan for the September meeting.

The Chairman also requested a Cyber Security report be added to the workplan which would look at some of the technical risks and mitigations. Due to the nature of the item, this would likely have to be in exempt session. It was, however, acknowledged that more engagement would be needed with the relevant Cabinet Member and Publica's information security lead before this came before the Audit committee.

The Chairman also raised the point that it was essential that all parts of the Council were audited and requested a general look at the council's regulatory committees i.e. planning and licensing, to ensure that the process followed by both committees was fit for purpose. The section 151 Officer advised that this subject was already on the internal audit work plan and he had met with both the monitoring officer and the director of planning to discuss further. He requested that any general concerns that Members had they first be raised with the monitoring officer not SWAP.

One Member further requested that the crematorium capital scheme be picked up in the general audit review work. All agreed that the completion of the crematorium work was the priority and a report on the lessons learned could be brought before the Audit committee following the completion of the work.

A discussion was had regarding Leisure@, the Section 151 Officer reported that the project had been completed on time and within budget. As such, he did not

feel it appropriate for it to come before the Audit committee but felt it would be better suited for O&S, unless there were any specific concerns surrounding governance. Given the size of the project, Members requested a short briefing note be prepared which outlined the lessons learned. The Section 151 Officer requested that a briefing note be prepared by the Director of Environment.

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

12. DATE OF NEXT MEETING

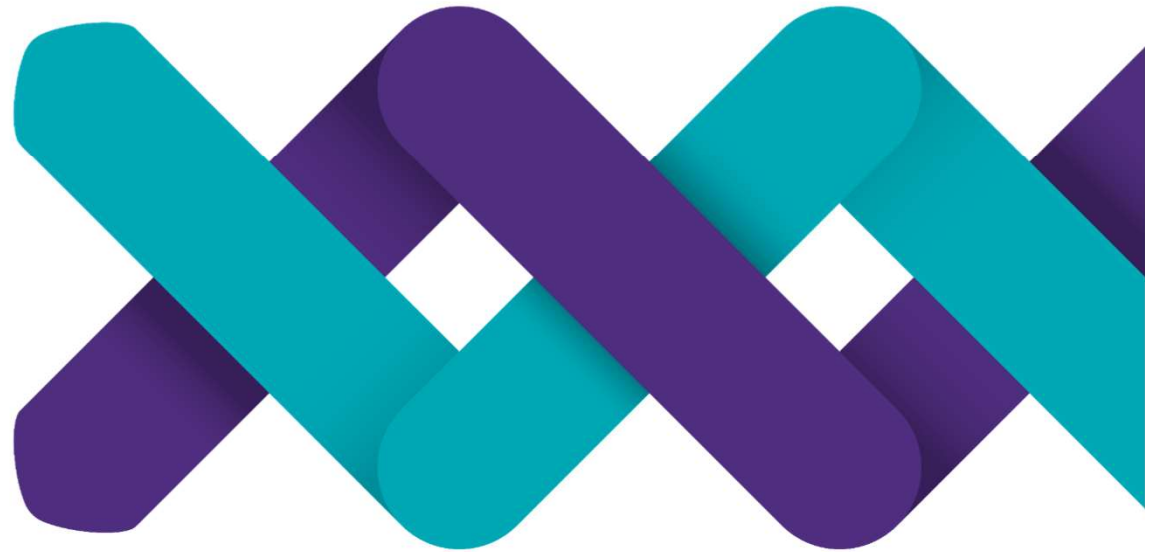
The next meeting was scheduled for 19th September 2018.

Chairman

Audit Progress Report and Sector Update

Cheltenham Borough Council
Year ending 31 March 2019

September 2018



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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 you as a local authority.

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 www.grant-thornton.co.uk.

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 September 2018

2017/18 Audit

We have completed our audit of the Council's 2017/18 financial statements. Our audit opinion, including our value for money conclusion and certificate of audit closure was issued on the 26 July 2018.

We issued:

- An unqualified opinion on the Council's financial statements; and
- An unqualified value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have issued all our deliverables for 2017/18 and have concluded our work on the 2017/18 financial year. Our Annual Audit Letter, summarising the outcomes of our audit is included as a separate agenda item.

2018/19 Audit

We have begun our planning processes for the 2018/19 financial year audit.

Our detailed work and audit visits will begin later in the year and we will discuss the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

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 2018/19 claim will be concluded by November 2018.

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

Meetings

We met with Finance Officers in July as part of our regular 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 met with your Chief Executive in July 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.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan 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 2018-19 financial statements.	January 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	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

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.



MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:
<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



MHCLG – Business rate pilots

The Secretary of State has invited more councils to apply for powers to retain the growth in their business rates under the new pilots. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services.

This follows the success of previous waves of business rates retention pilots, launched in a wide range of areas across country in 2017 and 2018.

The current 50% business rates retention scheme is yielding strong results and in 2018 to 2019 it is estimated that local authorities will keep around £2.4 billion in business rates growth.

Findings from the new round of pilots will help the government understand how local authorities can smoothly transition into the proposed system in 2020.

Proposals will need to show how local authorities would 'pool' their business rates and work collaboratively to promote financial sustainability, growth or a combination of these.

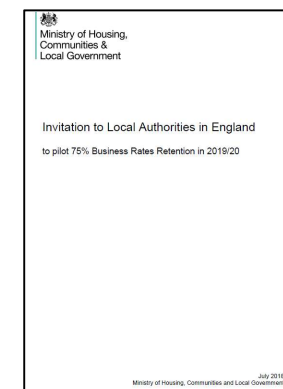
Alongside the pilots, the government will continue to work with local authorities, the Local Government Association, and others on reform options that give local authorities more control over the money they raise and are sustainable in the long term.

The invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution areas and London. Due to affordability constraints, it may be necessary to assess applications against selection criteria, which will include:

- Proposed pooling arrangements operate across a functional economic area
- Proposal demonstrates how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these
- Proposal sets out robust governance arrangements for strategic decision-making around management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements

Any proposals will need to show that all participating authorities have agreed to become part of the suggested pool and share additional growth as outlined in the bid. The Section 151 Officer of each authority will need to sign off the proposal before submission.

Proposal for new pilots must be received the MHCLG by midnight on Tuesday 25th September 2018.



Institute of Fiscal Studies: Impact of ‘Fair Funding Review’

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government’s ‘Fair Funding Review’ is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils’ differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils’ spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG’s funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of ‘spending needs’ and ‘needs indicators’, and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils’ revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report <https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

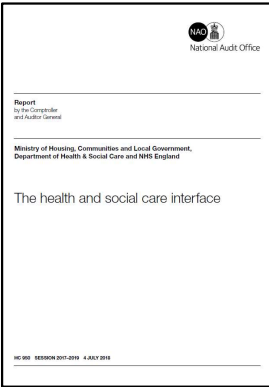
Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress..

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>



The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granththornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

- To download the app visit your app store and search 'Vibrant Economy'
- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
 - Explore the app and take the quiz
 - Go to the Vibrant Ideas section to share your picture and story or idea



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Links

Grant Thornton website links

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

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

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

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Annual Audit Letter

Year ending 31 March 2018

Cheltenham Borough Council

August 2018



Contents



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Cheltenham Borough Council (the Council) and its subsidiaries (the Group) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council, Group, and external stakeholders, and to highlight issues that 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 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 25 July 2018.

Respective 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 and group'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 and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £1,606,000, which is 2% of the group's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 26 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	<p>We are required under the Act to give electors the opportunity to raise questions about the Council's financial statements and we consider and decide upon objections received in relation to the accounts.</p> <p>We did not identify any matters which required us to exercise our additional statutory powers.</p>
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 25 July 2018.
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 2018. We will report the results of this work to the Audit Committee in our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Cheltenham Borough Council in accordance with the requirements of the Code of Audit Practice.

Executive Summary

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- Sharing our insight – we provided regular audit committee updates covering best practice.
- Supported preparation for early close by holding audit planning discussions with your team
- Early liaison regarding Publica within the financial accounts
- We shared our thought leadership reports, providing insight on topical issues in the sector including commercialisation in local government, Combined Authorities and Social Enterprises.
- Providing training – we provided your teams with training on financial accounts.
- We held quarterly liaison meetings with the 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 LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating 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 the audit of the Group accounts to be £1,606,000, which is 2% of the group's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration due to public sensitivity. A lower level of £10,000 was chosen as the equivalent of two remuneration bands in the officer remuneration note.

We set a lower threshold of £80,300, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the remainder of the Statement of Accounts, the Narrative Report and the Annual Governance Statement published alongside the Statement of Accounts to check they are consistent with our understanding of the group and with the financial statements included in the Statement of Accounts on which we gave our opinion.

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

Our audit approach is based on a thorough understanding of the group'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

Significant Audit Risks

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

Risk identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition</p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• The culture and ethical frameworks of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Cheltenham Borough Council.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We have performed the following work in respect of this risk:</p> <ul style="list-style-type: none">• Gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;• Obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness; and• Evaluate the rationale for any changes in accounting policies or significant unusual transactions.• Reviewed any unusual significant transactions	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular our testing of journal entries has not identified any significant issues.</p>

Audit of the Accounts

Significant Audit Risks (continued)

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

Risk identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of property, plant and equipment The Council revalues its land and buildings on an rolling basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.	We have performed the following work in respect of this risk: <ul style="list-style-type: none">Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;Reviewed the competence, expertise and objectivity of any management experts used.Held discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions.Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding.Tested revaluations made during the year to ensure they were input correctly into the Council's asset registerEvaluated 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.	Our audit work has not identified any issues in respect of valuation of property, plant and equipment.
Valuation of investment property The Council revalues its investment property on an rolling basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements. We identified the valuation of investment property revaluations as a risk requiring special audit consideration.	We have performed the following work in respect of this risk: <ul style="list-style-type: none">Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;Reviewed the competence, expertise and objectivity of any management experts used.Held discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions.Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding.Tested revaluations made during the year to ensure they were input correctly into the Council's asset registerEvaluated 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.	Our audit work has not identified any issues in respect of valuation of investment property.

Audit of the Accounts

Significant Audit Risks (continued)

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

Risk identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration	<p>We have performed the following work in respect of this risk:</p> <ul style="list-style-type: none">Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement;Reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation.Gained an understanding of the basis on which the IAS19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made.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 <p>In addition we have reviewed the accounting treatment of the early repayment of £7.1m paid across to the pension fund in 2017/18.</p>	<p>Our audit work has not identified any issues in respect of the Pension Fund net liability.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the group’s financial statements on 26 July 2018, in advance of the national deadline of 31 July 2018.

Preparation of the accounts

The group presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit Committee on 25 July 2018.

In addition to the key audit risks reported above, we identified the following issues throughout our audit that we have asked management to address for the next financial year:

- A number of IT deficiencies were identified as part of our 2017/18 IT review.
- A formal lease is not in place between Ubico and Cheltenham Borough Council for arrangements to lease recycling and refuse vehicles from the Council to Ubico.

Recommendations have been agreed with management and we will report on progress in relation to these recommendations during the course of the 2018/19 audit.

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 in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed, following a number of amendments, that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council was below the audit threshold.

Other statutory powers

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. No additional statutory powers were exercise.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Cheltenham Borough Council in accordance with the requirements of the Code of Audit Practice.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 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 risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in July 2018, we agreed recommendations to address our findings.

- Formalise liaison and communication arrangements between members and Publica to ensure members have the opportunity to challenge and scrutinise Publica's performance.
- We recommend that management continue to monitor high risk savings within the balanced budget.
- We recommend that management continue to monitor the use of reserves when budget setting to ensure that into the medium term dependency on reserves is reduced.

Overall Value for Money 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 2018.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Medium Term Financial Strategy</p> <p>The Council have been required to deliver substantial savings since 2010/11, and forecast continued significant savings requirements going forward. The current MTFS indicated that the Council proposes to fund a gap of £860k from the budget strategy (support) earmarked reserve during 18/19, and also included a number of unidentified savings over the period to 2021/22.</p>	<ul style="list-style-type: none">Reviewed the MTFS, including the robustness of the assumptions that underpin the plan.Gained an understanding of how savings are identified and monitored to ensure that they support in the delivery of budgetsConsidered 2017/18 performance against savings plans.Considered the use of Reserves in 2018/19 to reach the balanced budget	<ul style="list-style-type: none">Our detailed review of the assumptions underpinning the MTFS concludes that they are satisfactory and reasonable.The Council has a strong track record of delivering balanced budgets and identifying required savings. Savings for 2017/18 have been achieved and the Council has delivered an underspend of £403k during the year. This underspend has been transferred to the Budget Strategy (Support) Reserve, and will be used to support the future years' budget.Savings are built into base budgets, and are therefore monitored through the variances reported in quarterly revenue budget monitoring. The savings for 2018/19 have been identified and can be attributed to specific plans, such as the discount attributable to the upfront payment on the Pension Fund.The Council currently has a balanced budget to 2021/22 however this is dependent on a number of red-rated savings in 2019/20 onwards.Savings are monitored by Finance on a monthly basis. Any new capital scheme or projects with a financial implication have to be subject to a business case. Financial services will be involved in this process and have to sign off the financial business case, including the impact on the MTFS. Cabinet Members are involved on the project board, which is set up for all major schemes and are fully briefed and included in the project process, prior to a committee report being submitted for approval.We have considered the use of reserves in 2018/19 to deliver financial balance. The Council plan to use £913k of the Budget Strategy (Support) Reserve in 2018/19. The level of reserves is sufficient to support the budget for 18/19 but beyond 2019/20 it will have to be replenished.The Budget Strategy (Support) Reserve is part of the Council's medium term strategy and was set up in 2015 specifically for the purpose of supporting the budget. The use of this reserve has been appropriately considered by the Section 151 Officer and approved by Cabinet and Council. <p>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.</p> <p>We made two recommendations in relation to the Council's saving plan, detailed at Appendix B.</p>

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Publica Group (Support) Ltd</p> <p>Following a number of successful partnership and shared services arrangements between the Council, West Oxfordshire, Cotswold, and the Forest of Dean District Councils, Publica Group (Support) Ltd, a local authority owned company was created by the four councils and became operational in November 2017.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none">Reviewed the Council's arrangements for the establishment of Publica Group (Support) Ltd and the contract monitoring processes in place to ensure performance and quality standards are delivered in line with the original Business Plan to demonstrate that Value for Money is being achieved by the Council.Reviewed the arrangements in place at the Council to ensure that Publica is delivering the required financial savings whilst maintaining the agreed service standards.Reviewed the Council's Governance arrangements to provide appropriate oversight as one of the partnering organisations, including how members of the Council are kept informed of any issues and the outcomes of remedial action required to address any issues identified.	<p>We concluded that the Council has appropriate arrangements in place to:</p> <ul style="list-style-type: none">establish and monitor Publica's performance against quality standards in line with the original Business Plan.ensure Publica is delivering required financial savings while maintaining agreed service standards.provide appropriate oversight as one of the partnering organisations, including how members of the Council are kept informed of any issues and the outcomes of remedial action required to address any issues identified. <p>Recognising the evolving nature of governance arrangements, the Council has appropriate arrangements in place for working with Publica. Arrangements for Council members to formally liaise and communicate with Publica should be agreed following the year anniversary of the operation of Publica (November 2018).</p> <p>Management Response</p> <ul style="list-style-type: none">A positive officer and member dialogue has been established with Publica to consider how Publica can support the CBC modernisation programme. A request has been made to review and reconsider member engagement arrangements.

Reports issued and fees

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

Reports issued

Report	Date issued
Audit Plan	April 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	49,406	TBC	49,406
Housing Benefit Grant Certification	8,361	TBC	10,929
Total fees	57,767	TBC	60,235

The planned fees for the year are in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). The final fee charged for grant certification will be confirmed following completion of the work by 30 November 2018.

Fees for non-audit services

Service	Fees £
Audit related services	
- Certification of Housing Capital Receipts Grant	2,100
Non-Audit related services	
- CFO Insights subscription	3,750

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 non-audit services which were identified.
- We have considered whether non-audit 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.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	<div><div></div><div>Medium</div></div>	The Council currently has a balanced budget to 2021/22, however the achievement of the balanced budget is dependent on a number of red-rated savings from 2019/20.	<p>We recommend that management continue to monitor high risk savings within the balanced budget</p> <p>Management response</p> <p>The Senior Leadership Team and Cabinet Member for Finance receive a 'Bridging the Gap' project highlight report at their monthly meetings, which will include any changes to the MTFS or budget strategy and very much focuses on the monitoring of high risk savings. The Section 151 Officer also provides an independent assessment of the overall financial position as part of the budget setting process (Section 25 report).</p>
2	<div><div></div><div>Medium</div></div>	In order to set a balanced budget for 2018/19 the Council plans to use of £913k of its Budget Strategy (Support) reserve. This reserve was created in October 2015 specifically for future challenges around budget setting.	<p>We recommend that management continue to monitor the use of reserves when budget setting to ensure that into the medium term dependency on reserves is reduced.</p> <p>Management response</p> <p>The Section 151 Officer regularly reports on the adequacy of reserves and reinforces the need to replenish reserves from any additional windfall income and underspends delivered. The Council has agreed a vision to become an enterprising and commercially focused Council which people are proud to work for and which others want to work with. We will use our assets, skills and infrastructure to shape and improve public services and enable economic growth in the Borough. We shall generate significant levels of new income for the Council working towards the objective of enabling it to become financially sustainable by financial year 2021/22. The delivery of this vision through greater use of our assets and workforce will ensure dependency on reserves is reduced.</p>

- Key**
- High – Significant issue or risk of material misstatement requiring immediate action
 - Medium – Impact on the control environment resulting in a deficiency or weakness or the risk of incorrect financial reporting
 - Low – Best practice

Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
3	● Medium	Recognising the evolving nature of governance arrangements, the council has appropriate arrangements in place for working with Publica. Arrangements for Council members to formally liaise and communicate with Publica should be agreed following the year anniversary of the operation of Publica	<p>Formalise liaison and communication arrangements between members and Publica to ensure members have the opportunity to challenge and scrutinise Publica's performance.</p> <p>Management response</p> <p>A positive officer and member dialogue has been established with Publica to consider how Publica can support the CBC modernisation programme. A request has been made to review and reconsider member engagement arrangements.</p>
4	● Medium	A number of IT deficiencies were identified as part of our 2017/18 IT review.	<p>The Council should implement the recommendations arising from our IT review as set out on page 12.</p> <p>Management response</p> <p>Agreed.</p>
5	● Medium	A formal lease is not in place between Ubico and Cheltenham Borough Council for arrangements to lease recycling and refuse vehicles from the Council to Ubico.	<p>We recommended that a lease between Ubico and Cheltenham Borough Council is formalised to support the accounting treatment within the financial statements and to ensure that the Council is not exposed to any unintended financial risks.</p> <p>Management response</p> <p>Agreed.</p>

- Key**
- High – Significant issue or risk of material misstatement requiring immediate action
 - Medium – Impact on the control environment resulting in a deficiency or weakness or the risk of incorrect financial reporting
 - Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We did not identified any adjusted adjustments which have had an impact on the key statements and the reported net expenditure for the year

Impact of unadjusted misstatements

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

Impact of prior year unadjusted misstatements

We did not identified any prior year adjustments which have not been made within the final set of financial statements

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 3 - Critical Judgements in Applying Accounting Policies	The note did not provide details of the qualitative considerations for not preparing group accounts in respect of Publica Group (Support) Limited.	Agreed with officers that the note be expanded to provide details of both the quantitate and qualitative considerations for not preparing group accounts and details of the key considerations when categorising the vehicle lease with Ubico as a finance lease.	✓
	The note did not provide details of the key considerations taken into account when categorising the vehicle lease with Ubico as a finance lease		
Note 6 – Events after the reporting period	The draft statement of accounts did not disclose whether there had been any events after the reporting period.	The Council should disclose whether there have been any events after the reporting period.	✓

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 18 - Expenditure and income analysed by nature	The total income and expenditure figures in Note 18 did not match gross income and expenditure in the CIES. This is due to the deficit of the Collection Fund in Note 10 not being reflected in the income of the note, resulting in the expenditure and income figures being understated by £437k.	Precept and levies expenditure should increase by £437k to £18,889k. Income from council tax and non-domestic rates should increase by £437k to £29,890k	✓
Note 23 – Assets held under leases	The term of one lease was originally included in the lease schedule as 5 years. However, this is the date of internal review, and the term of the lease should be 175 years. This has the result of significantly increasing the lease payments receivable in future years.	The disclosure note for future minimum lease payments receivable in future years under non-cancellable operating leases should be decreased by £575k for the category “2-5 years” to £9,386k. The disclosure note for future minimum lease payments receivable in future years under non-cancellable operating leases should be increased by £93,725kk for the category “More than 5 years” to £99,002k.	✓
Various	There were a number of other minor presentational adjustments made to improve the quality of disclosure in the accounts.	Presentational adjustments identified were corrected in the final version of the statement of accounts. <ul style="list-style-type: none">• This included moving the Expenditure and Funding Analysis from within the primary financial statements; and removing an unnecessary contingent liability note.• Other minor amendments were made throughout. These adjustments are not significant and do not warrant separate reporting to the Audit Committee.	✓
Annual Governance Statement & Narrative Report	There were a number of other minor presentational adjustments and improvements made to enhance the quality of disclosure in the Annual Governance Statement & Narrative Report	Presentational adjustments identified were corrected in the final version of the Annual Governance Statement & Narrative Report.	✓





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26 July 2018

Dear Paul

Cheltenham Borough Council: Auditor's reports on the financial statements

We are pleased to be able to advise you that the audit of the Council's financial statements for the year ending 31 March 2018 has been completed.

An unqualified opinion on the financial statements and the audit certificate were issued on 26 July 2018. On the same date we also issued an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources as required by the Local Audit and Accountability Act 2014 (the "Act"), the National Audit Office's Code of Audit Practice and supporting guidance.

Please note that Regulation 16(1) of The Accounts and Audit Regulations 2015 requires the Council to publish (which must include publication on its website) a statement:

- that the audit has been concluded
- that the statement of accounts has been published
- of the rights of inspection conferred in local government electors by section 25 of the Act and the address at which, and the hours during which, those rights may be exercised.

This statement should be published as soon as reasonably practicable after the conclusion of the audit.

Please accept our thanks to everybody at the Council for your help and support during this year's audit. We have set out below further details regarding the finalisation and publication of the Council's statement of accounts, which includes the audited financial statements.

Auditor's reports on the financial statements

We have noted your wish to publish and distribute the statement of accounts, which includes the financial statements, in electronic format. Please note that:

Chartered Accountants

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- the examination of the controls over the electronic publication of audited financial statements is beyond the scope of the audit of the financial statements and the auditor cannot be held responsible for changes made to audited information after the initial publication of the financial statements and auditor's report;
- where you wish to publish or distribute the financial statements electronically (separately or within the Statement of Accounts), you are responsible for ensuring that the publication accurately presents the financial statements and auditor's report on those financial statements. This responsibility also applies to the presentation of any financial information published in respect of prior periods; and
- the auditor's report on the financial statements should not be reproduced or referred to electronically without our written consent.

Please ensure that:

- you publish the financial statements and the auditor's report on those statements together in the Statement of Accounts;
- you only publish the financial statements accompanied by the "other information" provided to us before we issued our audit report and specifically referred to in our audit report; and
- you do not publish the financial statements accompanied by any other information not provided to us prior to issuing our auditor's report.

Additionally, please ensure that you do not reproduce the signature of the auditor in any electronic format for any other purpose.

Please feel free to contact me if you would like clarification on any point.

Yours sincerely

Barrie Morris

Barrie Morris

For Grant Thornton UK LLP

Cheltenham Borough Council
Audit Committee – 19th September 2018
Internal Audit Monitoring Report

Accountable member	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
Accountable officer	Paul Jones
Ward(s) affected	All
Key/Significant Decision	No
Executive summary	<p>The Council must ensure that it has sound systems of internal control that facilitate the effective management of all the Council's functions. The work delivered by the SWAP Internal Audit Services (SWAP), the Council's internal audit service, is one of the control assurance sources available to the Audit Committee, the Senior Leadership Team and supports the work of the external auditor.</p> <p>The Annual Internal Audit Opinion presented to Audit Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Monitoring Report, however, is designed to give the Audit Committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurances on the control environment.</p>
Recommendations	The Audit Committee considers the monitoring report and makes comment on its content as necessary
Financial implications	<p>There are no financial implications arising from the report</p> <p>Contact officers: Paul Jones, Section 151 Officer Paul.Jones@cheltenham.gov.uk, 01242 264365</p>
Legal implications	<p>None specific arising from the report recommendation</p> <p>Contact officer: Peter Lewis, Head of Legal Services, One Legal peter.lewis@teWKesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>There are no specific HR implications arising from the content of the report. The HR Team continue to work closely with colleagues from SWAP to ensure that any HR related recommendations from audits are actioned.</p> <p>Contact officer: Julie McCarthy, HR Manager, Operations, Payroll and Support Centre Julie.McCarthy@publicagroup.uk, 01242 264355</p>

Key risks	That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.
Corporate and community plan Implications	<i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Chartered Institute of Internal Auditing UK and Ireland).</i> Therefore the internal audit activity impacts on corporate and community plans.
Environmental and climate change implications	Relevant to particular audit assignments and will be identified within individual reports.
Property/Asset Implications	Contact officer: David Roberts@cheltenham.gov.uk

1. Background

- 1.1 The Annual Audit Plan 2018/19 was aligned with the corporate and service risks facing the Council as identified in the consultation with the Senior Leadership Team and supported by such systems as the risk registers. The role and responsibilities of internal audit reflect that it is there to help the organisation to achieve its objectives, part of the plan has been aligned to elements of this strategy. However, to inform the audit plan we have also reviewed other key documents, such as the Medium Term Financial Strategy, change programme agendas and updates to the business plan, many of which contain risk assessments
- 1.2 There is also a benefit to supporting the work of the External Auditor (Grant Thornton). This is in the form of financial and governance audits to support such activities as value for money.
- 1.3 The audit plan also considered risks that may evolve during the year. The consultation process has sought to identify these areas considering where internal audit could support and add value to the risk control process. This report identifies work we have completed in relation to the planned audit work.

2. Reasons for recommendations

- 2.1 This report highlights the work completed by Internal Audit and provides comment on the assurances provided by this work.

3. Internal Audit Output

- 3.1 The Internal Audit Service is provided to this Council through the SWAP Internal Audit Services (SWAP). SWAP is locally authority controlled company.
- 3.2 The SWAP report attached at **Appendix 'A'**, sets out the work undertaken by SWAP for the Council since the Committee's last meeting. It follows the risk-based auditing principles, and, therefore, this is an opportunity for the Committee to be aware of emerging issues which have resulted in SWAP involvement.
- 3.3 Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members' questions.

Report author	Lucy Cater, Assistant Director, South West Audit Partnership lucy.cater@swapaudit.co.uk 01285 623340
Appendices	1. SWAP Report of Internal Audit Activity

Cheltenham Borough Council

Report of Internal Audit Activity

Plan Progress 2018/2019

September 2018

Contents

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Internal Audit Plan Progress 2018/2019

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 SWAP Internal Audit Services (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.

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 2018/19 Audit Plan was reported to, and approved by, Audit Committee at its meeting in April 2018.

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

Internal Audit Plan Progress 2018/2019

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a major area of concern requiring immediate corrective action and 3 being a minor or administrative concern

● Internal Audit Work

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 A](#) of this document.

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Internal Audit Annual Plan 2018/19. 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.

As is shown in [Appendix B](#) progress is being made on the 2018/19 audit plan, following the completion of the 2017/18 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.

Further information on all the finalised reviews can be found within [Appendix C](#).

At [Appendix D](#) we have included a schedule of the high priority recommendations that were identified during 2017/18. These will be updated when the follow-up audit has been completed.

Internal Audit Plan Progress 2018/2019

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 2018/19 is detailed in [Appendix B](#). 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.

We have taken days, held in contingency, to allow for a review of Ubico Finances, which was requested by the Deputy Section 151 Officer.

We have also used one day from contingency for offering advice in respect of an update to the Disabled Facilities Grants process.

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

- **No Assurance**
- **Partial**
- **Reasonable**
- **Substantial**

Audit Framework Definitions

Control Assurance Definitions

No 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.
Partial	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.
Reasonable	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.
Substantial	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.

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 3 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.

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.

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.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

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

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major		↔	1 = Minor		Comments
						Recommendation					
						5	4	3	2	1	
2017/18 Audits – Draft / In Progress at Annual Opinion											
ICT	Protection from Malicious Code		Position Statement								
ICT	ICT Policies		Final Report	Reasonable	1			1			
ICT	Public Services Network Submission (PSN)		Final Report	Reasonable	2			2			
Key Financial Control	Fighting Fraud Locally		Final Report	Reasonable	5		1	4			
Key Financial Control	Serious and Organised Crime Checklist		Final Report	Reasonable	1			1			
Key Financial Control	Serious and Organised Crime Audit		Final Report								
Governance	Audit Committee Effectiveness		Discussion Document								
Follow-Up	Safeguarding		Final Report								10 of the 11 Recommendations have been actioned
Advice and Consultancy	Equalities and Diversity		Complete	Non-Opinion							

Internal Audit Work Plan Progress 2018/2019

B

APPENDIX

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
2018/19 Audit Plan									
Governance	Annual Governance Statement	1	In Progress						
Operational	Licencing / Planning / Planning Enforcement	1	ToR Drafted						Waiting for Management Approval
ICT	Data Protection Act 2018 (GDPR)	1	Initial Meeting Arranged						Deferred by request of Client in quarter 1, audit re-commenced
Advice and Consultancy	Workforce Strategy	1							
Operational	Procurement and Contract Management	1	Deferred						Deferred by request of Client to quarter 3 / 4
Other Audit Involvement	Disabled Facilities Grant Certification	1	Complete	N/A					
ICT	Public Services Network Submission (PSN)	2							
Operational	Members and Officers Gifts and Hospitality and Declarations of Interest	2	In Progress						
Operational	Regulatory Awareness and Compliance	2	In Progress						
Operational	Business Continuity Management	2	In Progress						

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
Follow-Up	Ubico Recyclates	2	Deferred						Deferred
Follow-Up	Ubico Data Monitoring	2	Deferred						Deferred
Advice and Consultancy	Ubico Finance Review (New)	2	Draft Report						Days taken from contingency
Advice and Consultancy	DFG Process (NEW)	2	In Progress						Day taken from contingency
Advice and Consultancy	P & ED Transformation Project	1 – 2							
Key Financial Control	Revenues and Benefits	3	Initial Meeting Arranged						
	• National Non-Domestic Rates								
	• Council Tax								
	• Council Tax Benefit								
Key Financial Control	Core Financials	3							
	• Accounts Payable								
	• Accounts Receivable								
	• Main Accounting								
	• Payroll								

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
	• Treasury Management and Bank Reconciliation								
Key Financial Control	Systems Administration	3							
Key Financial Control	Human Resources	3							
Key Financial Control	Other Support Service provided by Publica • Procurement	3							
Advice and Consultancy	Commissioning	3							
Governance	Risk Management	4							
Governance	Performance Management	4							
Key Financial Control	Serious and Organised Crime	4							
Operational	Discretionary Housing Payments (DHP)	4	In Progress						
Operational	Corporate Culture	4							
Advice and Consultancy	CBC Organisational Change Project (Not yet defined)	3 – 4							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
Follow-Up Audits	Follow-Ups of Recommendations made in Substantial and Reasonable Audits	1 – 4	On Going						
	<ul style="list-style-type: none"> MTFS 								All recommendations Actioned
	<ul style="list-style-type: none"> Grant Payments to Third Parties 								Waiting for Management Response
	<ul style="list-style-type: none"> S106 Agreements and Funds 								Waiting for Management Response
Advice and Consultancy	Cemetery and Crematorium Development	1 – 4	On Going						
Advice and Consultancy	Parking Strategy / Cheltenham Task Force	1 – 4	On Going						
Advice and Consultancy	Public Governance	1 – 4	On Going						
Advice and Consultancy	Change Programmes	1 – 4							
Other Audit Involvement	Provision for Grant Certifications	1 – 4							
Other Audit Involvement	Management of the IA Function and Client Support	1 – 4	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks								

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
	Other ICT Audits – to be agreed with SWAP ICT Auditor and ICT								
	Leisure and Culture Trust – Days from 2017/18								Scope to be discussed with CFO

Audit Assignments finalised since the last Audit Committee:

Summary of 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.

2017/18 Protection from Malicious Code – Position Statement

We were unable to complete all sufficient system control testing in order to provide an audit opinion at this time due to the availability of key staff, however we have assessed the residual risk and provided this position statement based on the strategic approach and systems that Publica have in place to protect the Council's network, systems and data from the effects of viruses and malicious code.

We have also based our findings on recent audit reviews of the independent IT Health Checks (ITHC) and PSN submission activities, and our review of ICT Policies (Data backup and Ransomware Policies).

here were no significant issues and we noted that progress has been made against the independent ITHC, internal audit, and Publica - ICT's own findings.

Initiatives were underway to improve the security of the Council's network and Partner data using the latest intelligent threat protection products.

All high-risk vulnerabilities to Council systems, including those arising from a number of unsupported systems have been resolved, and key corporate systems had either been updated with the latest software, or software updates were being tested prior to deployment.

The Patch Management and, Change Control Policies, have been revised and updated. The Information Security Standards Policy has also been revised and updated to provide consistent direction and guidance to

users across all Council Partners. As at March 2018, Publica – IT were also in the process of creating a Cloud Computing Policy, to better inform their clients as to the risks from future use of open system providers, and to govern the use of this technology.

The PSN Authority have issued Publica with new annual certificates, that commenced in May 2018, for each of the four Councils.

There were several well controlled areas, and whilst we consider that there are sufficient controls to avoid a high impact attack, and it is likely that attacks will be confined to a user's computer and file shares, there will always be a risk from a virus infection, as those who target find more ways to cheat defences, and anti-virus products.

Therefore, we have assessed that there is a Medium residual risk.

2017/18 Public Services Network Submission – Reasonable Assurance

Our findings are based on reviewing the PSN activities, the PSN submission timeline, and meetings held with the Chief Technology Officer and the ICT Audit and Compliance Manager.

We are able to provide a reasonable audit opinion on the status of submission of the annual PSN Commitment Statement (Code of Connection) and supporting documentation.

The IT External and Internal Health Checks (ITHC) were carried out in November 2017, identified no critical or serious vulnerabilities. They neither raised any high vulnerabilities during external penetration testing, which demonstrated that the Council's network was designed to a sufficient standard to mitigate the known risks of being attacked from an outside source. Only medium and Low risk vulnerabilities were found during external testing.

High risk vulnerabilities were only discovered on the internal network after the Chief Technology Officer provided independent penetration testers with passwords, upon request from the testers. This identified

client software which was unsupported, and therefore could not be updated to bring the software security up to current standards. Publica IT then proceeded to work with their clients to remove those vulnerabilities, which caused a delay in the original submission.

At the time of our initial review, in February 2018, not all actions arising from the independent Internal and External IT Health checks had been completed.

The compliance statement and supporting documentation was initially submitted to the Cabinet Office on 8 January 2018, after being signed off by the Senior Officer at each Partner Authority, prior to the certificate expiring on 19 January 2018. This submission was accepted by the PSN Authority with the caveat that the actions to address the high vulnerability areas were carried out by the 31 March 2018, and for an updated Remediation Action Plan to be resubmitted to PSN A.

There were originally 36 high risk vulnerabilities raised, on the ITHC, and at the time of resubmission, on 23 March 2018, only 1 high risk vulnerability was outstanding. In the period, whilst addressing the actions, there had been liaison between Publica IT and the PSN team at the Cabinet Office to inform them of the progress.

At the time of writing this report, PSN A have now validated the re-submission from Publica IT and have passed it to their assessors before issuing a new PSN certificate.

Out of the 47 medium and low risk issues, raised on the ITHC, 18 actions remained open, and 29 actions had been reported closed. Out of the 29 closed risks, there were thirteen low risk vulnerabilities that had been risk assessed and accepted by the Chief Technology Officer, rather than having actions assigned to them.

Addressing these vulnerabilities was being carried out with the background of 'Meltdown' and 'Spectre' vulnerabilities which have arisen from the flawed design of the commonly used processor chip and highlighted on 3 January 2018 as a World issue. This will mean software / firmware upgrades and engineering visits, by Publica IT, to desks and all IT equipment rooms to make configuration changes to the Bios on computer equipment.

We concluded that all mandatory documentation had been submitted to the PSN A and that care had been taken in ensuring that only accurate information had been entered onto the PSN Commitment Statement. The results from the Internal and External ICT Health Checks had been accurately transferred onto Remediation Action Plan.

We took assurance on the effectiveness of the design of the security controls from the independent Internal and External ICT Health checks that had recently been commissioned, the response to the security risks that had been identified, and a review of a sample of the joint information security policies, risk registers, and interviews with key staff.

There were four security gaps detailed in the PSN Commitment Statement. Resource had been made available to address these gaps in compliance. One of the 4 gaps identified, 'Cloud computing', represented no current risk, as this technology was not used, however a Cloud computing policy is being drafted, so that the Partnership is ready for future considerations of this technology and have an understanding to the risks open to system providers.

ICT Operations Patch Management Policy, headed with CDC, FODDC and WODC logos and updated by Publica in August 2017, needed updating to include CBC and make it explicit how networked, unsupported systems will be treated by Publica IT, and the Policy needed an understanding and approval from each of the 4 Councils.

We found that risks were assessed and communicated across service and corporate risk registers, and that mitigating controls listed on those registers were monitored and evidenced. We have, however, made two Priority 3 recommendations, that when implemented will further improve the risk control framework.

2017/18 Fighting Fraud and Corruption – Reasonable Assurance

We have reviewed the current arrangements in place to combat fraud and corruption across Cheltenham Borough Council (CBC). The 'Fighting Fraud Locally Checklist' has been completed to assess operations in relation to the three core principles of the Local Government Counter Fraud and Corruption Strategy (2016-2019): Acknowledge, Prevent and Pursue.

The Counter Fraud Unit (CFU) was established across Gloucestershire and West Oxfordshire in April 2017, and CBC have appointed them to provide assurance over their counter fraud practices. The Counter-Fraud & Anti-Corruption Policy (2017) has been shared with CBC Members for their consideration and it is available on the Council website; meeting minutes support Members have approved this policy. The following documentation is also in place at the Council to help communicate its approach to fraud and provide guidance for Members and Officers;

- Council Constitution • Member Code of Conduct • Officer Code of Conduct • Whistleblowing Policy

Going forward, we would suggest the CFU and Internal Audit are consulted when reviewing the Constitution, Member and Officer Codes of Conduct and all Council policies to ensure current fraud and risk themes are considered and guidance reflects this. The Council has a Corporate Risk Register in place, but fraud risks are not easily identifiable; this has been flagged as an area of improvement by the CFU and we would agree with this assessment.

An Annual Governance Statement (AGS) is documented and shared with Audit Committee. Any risks identified in the AGS are followed up in line with the annual audit plan; the CFU are also consulted on the drafting of the annual Internal Audit plan.

At the time of audit work, CFU Awareness training was delivered to Council Staff and it was confirmed the training slides would be added to the Council intranet for Officer information. We would suggest the current Counter-Fraud & Anti-Corruption Policy is also added to the Council intranet to ensure Officers and Members can easily access the guidance.

The Council takes part in the National Fraud Initiative (NFI) and publishes Counter Fraud data on its website annually. CFU staff have relevant experience within the Public sector to undertake the work included within the annual plan and can work with other agencies when necessary to ensure professionally trained staff undertake work.

Member registers of interest and gifts can be requested from the Council, but they are not published on its website. The GOSS Procurement Strategy is now outdated and needs to be reviewed. Further reviews of procurement and registers will be undertaken by the CFU and Internal Audit in their 2018/19 work plans. BPSS checks should be undertaken on all Council staff however the CFU have identified that this is also an area which will be reviewed further in the 2018/19 work plan.

Our review has found controls are in place to help the Council fight fraud locally, and the improvements suggested within this report will help to strengthen what has already been implemented. Ensuring controls are consistently adhered to across the CFU's partners will provide a joined-up approach across the local area and help all partners acknowledge, prevent and pursue fraud in line with government guidance.

2017/18 – Serious and Organised Crime Audit and Checklist – Reasonable Assurance

The Serious and Organised Crime Strategy (2013) was introduced by the government and confirms;

"There is no legal definition of organised crime in England and Wales. For the purposes of this strategy, organised crime is serious crime planned, coordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain."

The Strategy estimates there were roughly 5,500 active Organised Crime Group's (OCG) in the UK at the time who were responsible for;

- The trafficking of drugs, people and firearms
- Organised illegal immigration
- Large-scale and high-

volume fraud and other financial crimes • Counterfeit goods (including medicines) • Organised acquisitive crime • Cyber crime

Since the Strategy was implemented, the Counter Fraud Unit (CFU) was established across Gloucestershire and West Oxfordshire (April 2017) and this Council has appointed them to provide assurance over its counter fraud measures. Meeting minutes support the CFU report bi-annually to Members, and the CFU's Counter Fraud and Anti-Corruption Policy (2017) and Whistleblowing Policy (2016) have been approved and adopted.

The 'Serious and Organised Crime Checklist Self-assessment' has been completed by the CFU and has identified areas where controls should be in place, and areas which they acknowledge need improvement.

The Council is a member of the National Fraud Initiative (NFI) and Counter Fraud data is published on its website annually. The CFU Manager and Internal Audit Assistant Director meet quarterly to discuss any areas of concern and an annual meeting is held with the Councils External Audit provider. CFU staff all have previous experience in relevant areas of the Public Sector and have good links and to relevant external organisations. The CFU Manager is also the serious and organised crime single point of contact for the region and they have quarterly meetings in relation to this role which also provides good links for intelligence sharing.

Risk Management and Procurement processes in relation to serious and organised crime have been identified as areas requiring improvement and we would agree with this assessment; further work will be undertaken to provide assurance over these practices in 2018/19. The CFU have also stated that controls in relation to licensing and planning are currently due to be followed up, so we have been unable to provide an assessment in these areas.

Working with the CFU should help the Council keep up to date with current threats, so any vulnerabilities can be identified and mitigated against as much as is possible. By appointing the CFU the Council is demonstrating it has implemented measures to try and tackle Serious and Organised Crime in accordance with the government's strategy, which should also feed into helping the Council to achieve its aim/vision by

acknowledging and understanding its risks.

2017/18 – ICT Policies – Reasonable Assurance

We offer a reasonable audit opinion. 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

Three Councils out of the four, that Publica ICT provide IT services to, had a comprehensive suite of policies available to provide guidance to officers and IT users, however we were unable to offer more than a Reasonable audit opinion as CBC's published IT Policies required work to bring them up to date.

We found that work was in hand by Publica ICT to align all the guidance and direction under one new Information Security Standards Policy, and this approach has been agreed by all four Councils. The main benefit that this single policy will provide is a consistent message on the key IT controls across all Councils, that accurately relate to the operational undertaking that Publica ICT implement on behalf of the Councils. The secondary benefit is that the single policy would have one point of control.

During the audit of ICT Disaster Recovery Planning, carried out in 2016-17, we examined backup and recovery strategy, procedures and systems. We provided Reasonable assurance that systems and procedural documentation were in place to enable the Council to recover from data loss, whether that was caused by a virus or malware, or a loss of a specific IT system.

Main Findings of this review: • Neither the CBC published Policies or the Shared ICT Policies, used by CDC, FODDC and WODC, contained a Backup Policy or Strategy that was available to users. • CBC Policies needed updating. • The CBC Information Security Policy differed from the Information Security Standards Policy used by CDC, FODDC and WODC. • The Shared ICT Policies, used by CDC, FODDC and WODC, contained a greater range of guidance, direction and controls for the prevention and reporting of virus and malware infections than the CBC Policies. • The Shared ICT Policies, used by CDC, FODDC and WODC, included controls that were aligned to the Public Services Network (PSN) controls and in-turn were broadly aligned to ISO 27001:2013. • The Backup Strategy and Procedures, owned by Publica ICT, were robust and up-to-date.

We advised the ICT Audit and Compliance Manager that a paragraph on the organisation's backup policy would be a useful inclusion in the new Information Security Standards Policy, alongside a section on prevention of viruses/ malware, to provide the users with awareness that there is a regular cycle of backups taken which is a key control to countering Cyber-threats, in particular ransomware.

It has since been evidenced that after the fieldwork testing was completed that CBC have now agreed and approved the shared Information Security Policy which brings the suite of control document access in line with partner authorities. The Information Security Policy has also been updated to include actions to be taken to mitigate exposure to/or to minimize the impact of exposure to viral or malicious threats.

Within the last 18 months there had been a review and amalgamation of the Shared IT policies used by CDC, FODDC and WODC, and this work was continuing to align the IT controls within a common Information Security Standards Policy which can be adopted by all four Councils.

Safeguarding Follow-Up

11 of the recommendations made in the 2016/17 Audit Cotswolds report have been completed and one recommendation has not been started. Guidance currently available to managers with regards to new starters, does not refer to safeguarding responsibilities and training, which we have discussed with the Public Learning & Organisational Development Manager. We recommend that the Safeguarding & Partnerships Manager liaises with Publica (Human Resources) to ensure the guidance is appropriately updated.

Observations made during the field work for this review include:

- The new Safeguarding Policy was agreed by Cabinet in October 2017, however version published on the intranet was 'Draft v3 August 2017'
- At the October 2017 Cabinet meeting, Members requested that the telephone number of the Designated Safeguarding Officer be included on the list of useful numbers, this was not updated.
- The Safeguarding Policy published on the Council's internet was dated February 2013.

We can confirm that the above observations were actioned after issuing the draft report.

We can conclude that monitoring processes to comply with the Safeguarding policy have been improved since the 2016/17 report and that if the outstanding recommendation is implemented the control environment would be further enhanced.

Audit Name	Priority	Recommendation	Management Response	Due Date	Update Sept 2018
2017/18 – Ubico Recycles and Data Monitoring	2	The Lead Commissioner- Housing Services & Waste (LC-HS&W) has agreed to seek assurance, supported by appropriate evidence, from the JWT that CBC is receiving value for money for its recycles.	<p>This weakness was identified by the JWT CM and since the audit the Council has completed a re-procurement of the materials contracts and included a requirement for the re-processors to show how they calculate the price being offered against the Lets Recycle indices. This calculation is now used by the JWT CM to check the price offered by the individual re-processors at each review point. If the price offered is below that based on the calculation, then the necessary challenge is being completed.</p> <p>In addition, as a result of a long standing arrangement between the CDC/JWT CM and the Salvation Army, an increase in income for the authority on textiles and shoes has been secured as detailed in the Tender Acceptance Report for Textiles & Shoes.</p> <p>A significant reduction in the price paid for the recycling of wood/timber has also been secured resulting in a reduction in cost for the authority as detailed in the Tender Acceptance Report for Wood.</p> <p>The JWT CM is updating the GOSS BPA on a monthly basis of any movement in the material prices and the likely effect that might have on the income being received by the Council. From April 2018 the JWT CM will also present the latest prices to the Cabinet Lead as part of the monthly meeting together with the amount of income received and any variances likely at year end."</p>	30/04/18	Follow-Up deferred until October 2018
2017/18 – Ubico Recycles and Data Monitoring	2	Budget Variances The LC-HS&W has agreed to ensure that: -	The JWT CM is now discussing budget variances with the GOSS BPA on a monthly basis.	30/11/18	Follow-Up deferred until October 2018

		<p>controls are put in place to monitor the Ubico budget to ensure CBC is receiving value for money and realising benefits as new partners join.</p> <p>the KPI's being reviewed provide the Council with meaningful measures, are approved and implemented in a timely manner.</p> <p>Robust information regarding budget variances are discussed at regular intervals and communicated to the ESPB where necessary.</p> <p>Risks of reduced recycle income is identified and monitored accordingly."</p>	<p>Income updates (current income against projected budgets) will be built in as part of the monthly meetings with the Cabinet Member and CL-HS&W. This will be implemented from April 2018 and the update will be recorded in the action notes. This will also be extended to the quarterly ESPB meetings with Ubico in order that a fuller understanding of budget pressures (or otherwise) is available to all relevant parties.</p> <p>The JWT have reviewed the Ubico performance template and revised KPIs have been put forwards which will be used in all ESPB meetings from April 2018</p> <p>We have agreed with UBICO that there is a requirement for more robust variance reporting so that a narrative is provided to accompany any variances, and that analysis is undertaken by Ubico each quarter to provide the council with greater confidence that the end of year projected variance is as accurate as possible. Ubico have advised that additional resources are required to support their financial reporting, and that they will be looking to provide this from April 2018 at no additional cost to CBC. We will closely monitor how effectively Ubico implement our requirements as we change our conversation at our quarterly monitoring meetings to more strategic discussions from the new financial year.</p> <p>The Client Officer and Customer Relations Manager will attend meetings between JWT Contract manager and finance staff and will be proactively engaging with Ubico Managers so that the budget is managed in a more proactive way.</p> <p>We have built into the Terms of Reference the requirement for Ubico to demonstrate any growth/efficiency</p>		
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			<p>opportunities going forward.</p> <p>Contained within the 2018/19 Joint Waste Committee Action Plan is a 'Benchmarking review of current collection services to understand the relative cost and performance of current waste and recycling services across Gloucestershire'. The target date for completion is October 2018 and this will give us valuable data in which to further scrutinise the services being provided by Ubico to the Council and challenge any discrepancies going forwards.</p> <p>Notwithstanding the work included in the action plan CBC have commissioned a consultant with extensive experience in the industry. He is networking with five councils, with a mix of DSO and contracted services. A report on findings will be presented to CBC by end of May."</p>		
2017/18 – Ubico Recyclates and Data Monitoring	2	<p>Budget data</p> <p>The LC – HS should ensure that a breakdown of each service charge, used to compile the annual budget, is received to ensure it is appropriate and reflects the service being charged to CBC, in comparison to other service users. Furthermore, this will allow CBC to challenge the value for money service."</p>	<p>Each of the services operates differently so direct comparisons from cost information can be misleading. For instance, Tewkesbury council recently introduced a co-mingled collection of recycling in wheeled bins. CBC have introduced a kerbside sort requiring specialist vehicles. This results in staff having to hand pick materials and sort them into relevant compartments in the vehicle. In the more urban areas of Cheltenham, traffic congestion, access issues and servicing flats are likely to slow collections down compared to the other councils. Gloucester City Council and Forest of Dean Council operate similar systems to Cheltenham i.e. kerbside sort on specialist vehicles. It is important that councils operating the same methodology are focussed upon. The consultant is gathering cost data from Gloucester and Forest of Dean. In addition research is being carried out with several councils that use different operational systems provided by both private sector contractors and Direct Service Organisations. Research findings will be reported to the Lead Commissioner –</p>	30/11/18	Follow-Up deferred until October 2018

			<p>Housing Services and Waste and Managing Director, Place & Economic Development. The findings of this research will determine discussions and any potential actions with Ubico. This work is due to be reported by the end of May 2018.</p> <p>Contained within the 2018/19 Joint Waste Committee Action Plan is a 'Benchmarking review of current collection services to understand the relative cost and performance of current waste and recycling services across Gloucestershire'. The target date for completion is October 2018 and this will give us valuable data in which to further scrutinise the services being provided by Ubico to the Council and challenge any discrepancies going forwards.</p> <p>In addition, the JWT will compile and provide quarterly information, along the lines of Appendix A, to Senior Management Group, which is comprised of Officers from each of the districts, from the new financial year (18/19) onwards.</p>		
2017/18 – Council Tax	2	Council Tax Completion Notices must be considered during the Council Tax Base calculation and evidenced accordingly.	Estimates will be included in tax base at 3th November for any properties where completion notices have been served but not yet included on valuation list.	30/11/18	Will be followed-up during core financial audit in quarter 3
2017/18 – Other GOSS Area Health and Safety	2	GOSS HS should produce a list of duties carried out at each of its clients and document any associated risks. Appropriate policies should then be written on behalf of each client and approved at the appropriate level.	<p>HS policies are already in place at CBC, CDC, FoDDC, Ubico and WODC. These will continue to be reviewed in line with current procedures.</p> <p>The working practices of officers transferring into Publica aren't due to change significantly, therefore existing Council HS policies will be branded for Publica use and approved by the Board. In the interim period until Publica Board can meet to approve these policies, the GOSS HS Manager (in his role as advisor to Publica) has produced a transformation document stating there will be a brief transition period, until all policies have been adopted by Publica, which all Publica employees will be required to</p>	30/03/18	Will be followed-up during core financial audit in quarter 3

High Priority Recommendation Follow-Up

APPENDIX D

			comply with Council policies."		
2017/18 – Other GOSS Area Health and Safety	2	The GOSS HS Manager should work with senior management from each of GOSS's clients to ensure each appoints a 'responsible person' in line with the Regulatory Reform (Fire Safety) Order 2005. This should be a senior officer who is made aware of all responsibilities that come with the position.	OSS HS, in consultation with their clients, have identified Responsible Persons at each client (including Publica). Training on the role and responsibilities of the position will be provided to each officer at which time appointment letters will be issued."	31/01/18	Will be followed-up during core financial audit in quarter 3
2017/18 – Accounts Payable (Creditors)	2	The Accounts Payable Accountancy Manager should ensure that a quarterly review of all payments made during the past four months is undertaken to highlight any duplicate payments made.	We will run this new process for the middle of each quarter, i.e. February, May, etc. This will allow us time to make any necessary adjustments before quarter end."	01/06/18	Will be followed-up during core financial audit in quarter 3
2017/18 – IR35	2	To ensure compliance with HMRC guidance, all supplier request forms should be updated to state the service manager from the hiring authority is responsible for completing the ESS to determine employment status.	Revise the new supplier request form to reflect the responsibilities on the public body not sole trader."	31/07/18	Will be followed-up during core financial audit in quarter 3
2017/18 – IR35	2	An individual / service area should be assigned to oversee and own the IR35 process to ensure accountability.	Each Group Manager should appoint a person responsible for Overseeing the IR35 process and maintaining a register of 'off payroll' workers to avoid delays with recruiting."	31/07/18	Will be followed-up during core financial audit in quarter 3
2017/18 – Fighting Fraud and Corruption	2	The CFU should be consulted when the Procurement and Contract Strategy is reviewed to ensure fraud in relation to procurement is fully considered.	CFU Manager – CFU to work with Procurement as required."	01/09/18	

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Cheltenham Borough Council

Audit Committee – 19 September 2018

Counter Fraud Unit Report

Accountable Member	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
Accountable Officer	Paul Jones Chief Finance Officer Paul.Jones@cheltenham.gov.uk
Report Author	Emma Cathcart Counter Fraud Manager 01285 623356 Emma.Cathcart@cotswold.gov.uk
Ward(s) affected	All indirectly
Key/Significant Decision	No
Executive summary	<p>The purpose of the report is to provide the Audit Committee with assurance over the counter fraud activities of the Council.</p> <p>Work plans for 2018/2019 are presented to the Audit Committee detailing progress and results for consideration and comment as the body charged with governance in this area.</p> <p>The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually.</p>
Recommendations	<p>That the Audit Committee:</p> <p style="padding-left: 40px;">a) Notes the report and makes comment as necessary.</p>
Financial implications	<p>The report details financial savings generated by the Counter Fraud Unit.</p> <p>Contact Officer: Paul Jones, S151 Officer Paul.Jones@cheltenham.gov.uk</p>

Legal implications	<p>In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.</p> <p>Contact officer: Vikki Fennell, One Legal Vikki.Fennell@teWKesbury.gov.uk</p>
HR implications (including learning and organisational development)	<p>The HR team continue to work closely with the Counter Fraud Unit on all internal investigations.</p> <p>Contact officer: Julie McCarthy, HR Manager – Operations, Payroll & Service Centre julie.mccarthy@publicagroup.uk 01242 264355</p>
Key risks	<p>If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.</p>
Corporate and community plan Implications	<p>In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.</p>
Environmental and climate change implications	<p>N/A</p>
Property/Asset Implications	<p>There are no property implications associated with this report.</p> <p>Contact officer: Dominic Stead, Head of Property Services dominic.stead@cheltenham.gov.uk</p>

1. COUNTER FRAUD UNIT REPORT 2018/2019

- 1.1. The work plan for 2018/2019 has been developed with focus on the priorities set out in the Home Office UK Anti-Corruption Strategy 2017 – 2022.
- 1.2. Corporately, the team will be concentrating on promoting integrity across the public sector and reducing corruption in public procurement.
- 1.3. Operationally the Unit will continue to add value in areas associated with risk.
- 1.4. The Counter Fraud Unit provides Audit Committee with direct updates biannually. The Audit Committee is the body which oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to such activity.
- 1.5. Attached at Appendix 2 is a copy of the work plan which is provided to Audit Committee with results of work undertaken to date.
- 1.6. More specifically, over the period April 2018 to August 2018, the team have supported the Council in the following areas:
 - Undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support). There are currently 14 active cases. The

team carried over 19 live cases, have opened 13 cases and closed 18 cases since 1 April 2018.

This has resulted in 4 sanctions (penalties), 2 Civil Penalties and an amount exceeding £15,000 of recoverable Council Tax Support and fines being calculated. In addition overpayments of Housing Benefit exceeding £6,000 have been generated.

The team have undertaken 6 visits to business premises to undertake enquiries on behalf of the Revenues Team.

- Undertaking anomalies or allegations of abuse in relation to Business Rates. There are currently 9 premises under review.
- Review of the NNDR empty void premises – 372 business premises visited. 16 liabilities were changed and 199 were confirmed empty. The remainder were adjustments that had already been undertaken due to occupant declarations or business processes. This exercise is more of a record keeping one. Due to the fact that there is no liability for three months on empty premises and when occupied other reliefs are likely to be applied – mandatory relief for Charities or Small Business Rate Relief.
- Review of CTAX properties with a single person discount. A sample of 78 cases has been referred for intelligence checks.

Review of the empty residential properties not yet classified as long term (C1 Empties) – 71 properties were visited prior to 1 April 2018. Between 1 April 2018 and 31 August 2018 a further 390 have been referred and visited (there is duplication / revisits). 26 properties are no longer classed as empty. The work supports the Council's Revenues Team to manage empty properties and maximise the tax base and new homes bonus.

- Review of 41 properties listed as Holiday Lets. Only 2 anomalies were identified and required a change from business rate status to main place of residence. One occupant was billed £334.15 for the retrospective period and both now have a Council Tax liability totalling £2,242.20.
- Disciplinary – Two internal cases were referred to the CFU for investigation. One was closed, the allegation was not proved. One is ongoing.
- Work with Cheltenham Borough Homes:
 - 132 referrals have been made requesting checks for homelessness, right to buy, succession or housing applications. In relation to right to buy applications, additional checks have been introduced to ensure that any resultant benefit issues are addressed.
 - Three offers of housing have been withdrawn due to CFU intervention.
 - Two homeless cases were refused due to CFU intervention.
 - An unlawful subletting case is listed for prosecution in October – this is the first prosecution of this type of offence.

Appendices	1. Risk Assessment 2. Member Work Plan 2018/2019
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Risk Assessment

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	The authority suffers material loss and reputational damage due to fraud	Chief Finance Officer	December 2014	3	3	9	Reduce	Maintain a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	Ongoing	Chief Finance Officer	
2	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	Chief Finance Officer	September 2016	3	4	12		Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Ongoing	Chief Financial Officer	
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											

Department / Area	Task	Member Update
Corporate / Strategy	Delivery of two reports for Audit (and Risk) Committee	April / September
Corporate / Strategy	RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff	Update April 2018
Corporate / Strategy	Serious and Organised Crime: Coordination of the provision of work for Gloucestershire Constabulary	Meeting to be arranged with Crimestoppers, CBC Officers and Police Force Leads
Corporate / Strategy	Completion and follow up of Home Office Serious and Organised Crime Checklist	Draft issued, revisions pending for presentation to Executive Board
Corporate / Strategy	Completion of Home Office Bribery and Corruption Assessment Template	Q3
Corporate / Strategy	Staff Fraud Awareness Sessions	Completed
Housing	Review of supported living services / care in rented accommodation	-
HR	Drafting / consultation / implementation of HR / CFU Internal Investigation Protocol	Draft issued to HR
HR	Review of Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	Governance Group
HR	Review of HR Recruitment and Vetting Policy and Procedures	Q4
ICT / Revenues and Benefits	Earthlight / GIS Support: Rate Avoidance / CTAX Evasion	Ongoing as required
Policy	Drafting / consultation / adoption of Corporate Enforcement Policy	Draft issued, consultation period, forward plan Dec 2018
Policy	Drafting / consultation / adoption of Money Laundering Policy	-
Policy	Drafting / consultation / adoption of Debt Recovery Policy	-
Revenues and Benefits	Coordination of joint working initiative with DWP for future joint investigation of HB and CTRS	Joint working confirmed, roll out date awaited
Revenues and Benefits	NFI - students / benefits	Q2 - results pending
Revenues and Benefits	C1 Empties	See Report
Revenues and Benefits	SMI CTAX Review	-
Revenues and Benefits	Absent for Care / Absent to provide Care Review	-
SWAP	Review of the Gifts and Hospitality Policy and Procedure	Governance Group
Department		Member Update
Extraordinary Cases: Investigation / Sanction / Prosecution		Q1 - 1 Q2 - 0 Q3 - Q4 -
Revenues and Benefits: CTRS Investigation / Sanction / Prosecution		Q1 - £3281.84 / 1 Reg 11 Penalty Q2 - £17,933.61 / 3 Reg 11 Penalties and 2 Civil Penalties Q3 - Q4 -
Revenues and Benefits: Investigation Cases - Rate Avoidance / CTAX Evasion		Q1 - 17 Q2 - 0 Q3 - Q4 -
CTAX SPD Review and Enforcement		Q1 - 0 Q2 - 78 Q3 - Q4 -
Housing / Tenancy Fraud : Work delivered via CBH		Q1 - Pending Q2 - Pending Q3 - Q4 -
HR - Internal investigation relating to serious and / or gross misconduct		Q1 - 1 Q2 - 1 Q3 - Q4 -
Debt: Tracing and Recovery Support / Summons		Q1 - 4 Q2 - 0 Q3 - Q4 -
Referrals processed - DWP (SPoC) Role / DWP Administrative Penalty Review		Q1 - 33 Q2 - 18 Q3 - Q4 -
CBH: Checks		Q1 - 71 Q2 - 61 Q3 - Q4 -

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Audit Committee 2017-18 work plan

Item	Author
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25 th July 2018 (Report deadline: Mon 16 th July)	
Internal audit opinion (for the previous year)	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
Auditing Standards – communicating with the Audit Committee (moved from April)	Grant Thornton
19 September 2018 (Report deadline: Fri 7 th September)	
Audit Committee Update	Grant Thornton
Annual Audit Letter	Grant Thornton
Publication Letter	Grant Thornton
Internal audit monitoring report	Internal Audit
Counter Fraud update and future work provision	Counter Fraud Unit
23 rd January 2019 (Report deadline: Fri 11 th Jan)	
IT Security update	IT (Tony Oladejo?)
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
Leisure@ refurbishment project review – how did the ‘new’ governance approach work	Mark Sheldon
Cyber Security Report	Tony Oladejo
24 th April 2019 (Report deadline: Wed 10 th April)	
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

Audit Committee 2017-18 work plan

Item	Author
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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
Annual governance statement	Internal Audit
Crematorium Capital Scheme	
24th July 2019 (Report deadline: 12th July)	
Audit committee update	Grant Thornton
Internal audit opinion (for the previous year)	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

ANNUAL ITEMS (standing items to be added to the work plan each year)		
January	IT Security update	IT
	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
April	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

Audit Committee 2017-18 work plan

Item		Author
	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
	Annual governance statement	Internal Audit
July	Audit committee update	Grant Thornton
	Internal audit opinion (for the previous year)	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

Information Security annual report – awaiting confirmation from Tony O about when would be an appropriate time in the year to do this.

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