



Notice of a meeting of Audit Committee

**Wednesday, 18 September 2019
6.00 pm**

| 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 Paul Jones (Executive Director Finance and Assets) | |
| 2. | DECLARATIONS OF INTEREST | |
| 3. | MINUTES OF THE LAST MEETING 24 July 2019 | (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. | INTERNAL AUDIT MONITORING REPORT Lucy Cater, Assistant Director (SWAP Internal Audit Services) | (Pages 9 - 36) |
| 6. | COUNTER FRAUD UPDATE AND FUTURE WORK PROVISION Emma Cathcart, Counter Fraud Manager | (Pages 37 - 42) |
| 7. | ANNUAL AUDIT LETTER Grant Thornton | (Pages 43 - 60) |
| 8. | WORK PROGRAMME | (Pages 61 - 62) |
| 9. | ANY OTHER ITEM THE CHAIRMAN DETERMINES TO | |

| | | | |
|------------|--|---|--|
| | | BE URGENT AND REQUIRES A DECISION | |
| | | | |
| 10. | | DATE OF NEXT MEETING 22 January 2020 | |
| | | | |
| | | Briefing Notes (not for discussion): <ul style="list-style-type: none"> Cheltenham Borough Council/Ubico Vehicle Lease | |
| | | | |

Contact Officer: Saira Malin, Democracy Officer, 01242 264130

Email: democratic.services@cheltenham.gov.uk

Audit Committee

**Wednesday, 24th July, 2019
6.00 - 7.10 pm**

| Attendees | |
|----------------------------|--|
| Councillors: | Steve Harvey (Chair), David Willingham (Vice-Chair), Victoria Atherstone, Matt Babbage, Jonny Brownsteen and Tony Oliver |
| Also in attendance: | Philip Alway (Finance), Paul Jones (Executive Director Finance and Assets), Darren Knight (Executive Director of People and Change), Jaina Mistry (SWAP), Sophie Morgan-Bower (Grant Thornton), Barrie Morris (Grant Thornton), Jon Whitlock (Finance) and Ann Wolstencroft (Governance Manager) |

Minutes

1. APOLOGIES

Councillor Stafford had given her apologies and the Chairman had advised that he would be late. Councillor Willingham, as Vice-Chair, took the chair for the duration of the meeting.

2. DECLARATIONS OF INTEREST

No interests were declared.

3. MINUTES OF THE LAST MEETING

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

Upon a vote it was unanimously

RESOLVED that the minutes of the meeting held on the 24 April 2019 be agreed and signed as an accurate record.

4. PUBLIC QUESTIONS

There were none.

5. ANNUAL INTERNAL AUDIT OPINION

Jaina Mistry, Principal Auditor of SWAP Internal Audit Services, introduced the Annual Internal Audit Opinion report as circulated with the agenda. She explained that the opinion was based on the work that had been undertaken throughout the year and that a 'Reasonable' assurance opinion was offered for the Councils' internal control framework. It was highlighted that the draft reports, though not finalised, raised no issues of concern and that details of these would be included in the progress report which would be tabled at the September meeting. These final reports would then help to form next year's annual opinion.

In response to a member question, the Principal Auditor advised that the operational audit of Planning had been deferred because at the time the service was undergoing a redesign and it was clear that a review of current procedures would be of little value if procedures were going to be changed. A position statement had been issued which provided a summary of the current status and that this area would be revisited. The audit was scheduled to commence in January 2020.

Upon a vote it was unanimously

RESOLVED that the report be noted.

6. ANNUAL AUDIT FEE LETTER 2019/20

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 and a copy of which had been circulated with the agenda. She acknowledged the time that had lapsed since the letter was drafted and highlighted that there had been no meeting of the committee prior to this.

The letter set out the proposed work programme and associated fees for the ensuing year (2019/20). She advised that the Public Sector Audit Appointments Ltd (PSAA) had published the 2019/20 scale fees for opted-in bodies in March 2019 and individual scale fees had remained the same as in 2018/19. Also included was an outline audit timetable.

There were no Members questions arising from the fee letter.

There were no resolutions arising from this report.

7. AUDIT HIGHLIGHTS MEMORANDUM ISA260

Barrie Morris of Grant Thornton (GT), introduced the report as circulated with the agenda, which summarised the key findings from the statutory audit of CBC and the preparation of the group and council's financial statements. He noted that:

- The expectation was that the accounts for Cheltenham Borough Homes would be agreed the same evening
- GT anticipated being able to issue an unmodified and unqualified audit report on the financial statements.
- They also anticipated issuing an unqualified value for money conclusion.
- There had been no objections from any member of the public.
- GT applied the concept of materiality and overall materiality had been determined to be £1,569,400 (2% of gross expenditure), which was the highest level which is permissible for the auditor to set.
- Triviality had been set at £80k, except Senior Officers' remuneration which required a lower materiality due to the sensitive nature of these balances and therefore stood at £20k.
- There were two significant risks that related to all organisations: improper revenue recognition and management override of controls and no issues had been identified in respect of these issues at CBC.
- In terms of the 'Valuation of plant, property and equipment' risk, GT had performed a robust challenge of the assumptions made by the valuer

working on behalf of the council and used parameters to compare them against. One issue had been identified in relation to the value of council dwellings and depreciation and this had required a significant adjustment of £15m, though he stressed that this had not impacted the bottom line as it was simply an adjustment to how the information was presented. The council had made the adjustment.

- The council had invested in a number of investment properties and GT had tested whether these were considered appropriate, with no issues identified.
- GT highlighted the additional work that had been undertaken in regard to the valuation of pension fund net liability in light of the McCloud judgement. It had been ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. This would impact all public sector schemes, and could mean a possible increase in liability to the council of £0.4m. No other issues were identified and no adjustments were required.

Sophie Morgan-Bower of GT highlighted the following points:

- The group audit included CBH and Gloucestershire Airport, but not Ubico or Publica.
- Despite having been recommended in the previous year, a formal lease was still not in place between Ubico and CBC for arrangements to lease recycling and refuse vehicles from the council to Ubico.
- GT were happy with the appropriateness of management's use of the going concern assumption.
- In terms of the Value for Money (VFM) work, GT had raised two risks. The Medium Term Financial Strategy (MTFS) was a common risk. GT had recommended that the Budget Strategy (Support) reserve be replenished by 2020/21.
- One minor additional disclosure point was noted, which was not noted in the AFR due to the timing of the report release, in relation to a corrected lease disclosure. This was a minor point.
- The other related to the governance of Publica. GT recommended that the council continue to develop clarity on respective roles and responsibilities and continue to strengthen the communications process with Publica officers. The management response was included in the final version.
- Housing Capital Receipts were audit related by their very nature.
- CFO insights posed a self-interest threat and had therefore been included for transparency.
- Appendix B provided follow-up on recommendations from the previous year.
- Appendix C reported all non-trivial misstatements and the audit adjustments and this included the unadjusted difference relating to the McCloud judgement.
- Fees and the additional audit fees were summarised at Appendix D and it was noted that the final fee had reduced from £49,500 last year, to £42,500 this year.

The following responses were given to Members questions:

- This was the first time that the carry value depreciation had been identified and this had resulted in a technical adjustment (change in classification) with no effect on the bottom line.
- A similar recommendation to that made to CBC regarding the governance of Publica had been made to all partner organisations.
- There was a split in terms of the McCloud ruling and the GMP equalisation, equating to £0.4m in total (unadjusted in the accounts).
- There were people at CBC who would be affected by the McCloud judgement and therefore CBC was affected in terms of what it would have to pay over. This was a complex issue which was subject to lots of discussion within the sector and no clarity as yet on how this would be funded.

In response to a question from a member, the Executive Director Finance and Assets could recall a time when the external audit fee was in excess of £100k and accepted that as a consequence of the far reduced fee, there was less scope for additional work. In terms of the McCloud judgement, it had generated work for himself and the council and therefore he was comfortable with the additional fee from GT.

No decision was required.

8. STATEMENT OF ACCOUNTS 2018/19 (INC. LETTER OF REPRESENTATION)

The Executive Director Finance and Assets introduced Philip Alway and Jon Whitlock from the finance team at Publica. The Director explained that Philip had taken over the role of Finance Manager following the retirement of Sarah Didcote. The officers introduced the Statement of Accounts 2018-19, explaining that the team had prepared the draft by the end of May, which had then been published on the council's website and passed to Grant Thornton for review. A brief summary of the key balances and figures was outlined to the Committee. A link to the draft accounts had been circulated with the agenda and the final version, following the audit by Grant Thornton, had been published as a supplement.

Members commended officers for their hard work in producing the statement of accounts, which they acknowledged represented a large amount of work and with the Statement of Accounts needing to be produced within ever shorter timescales. Councillor Harvey, as Chair, suggested to Officers for a press release acknowledging the positive outcome of the audit undertaken by Grant Thornton and for a report to go to Council later in the year. The Executive Director Finance and Assets confirmed that the item had been scheduled on the agenda for the October Council meeting and would discuss the issue of a media release with the relevant officers.

A member highlighted the statement made by the Labour Party that they would seek to largely end the outsourcing of council contracts to private firms if they entered government and queried what this would mean for Cheltenham given its arrangements with Publica, Ubico, etc. The Executive Director Finance and Assets stressed that this was nothing more than a statement at this stage and that it was therefore difficult to second guess what this would mean, but suggested that his definition of outsourcing would include truly 'private' companies such as Biffa, rather than Local Authority Companies such as Ubico

or Publica. He also struggled to understand how arrangements such as this could be easily reversed as in all cases a contract would have to be terminated.

Upon a vote it was unanimously

RESOLVED that:

- a. **The accounts for the year ended 31 March 2019 be approved.**
- b. **The Statement of Accounts and letter of representation be signed by the Chairman of the committee and the Section 151 Officer.**

9. AUDITING STANDARDS COMM WITH 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 (Paul Jones) 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 Chairman.

10. ANNUAL REVIEW OF RISK POLICY

Ann Wolstencroft, the Governance Manager, introduced herself to the committee, noting that she had replaced Bryan Parsons in the role. She highlighted that at 3.4 of the report, 2017-18 had been referenced in error and that this should have stated 2019-20. The committee were advised that the only amendments to have been made to the policy were to reflect the new management structure, noting that a full review of the approach to risk management (and therefore the policy) would be undertaken in 2019, to coincide with the introduction of new risk management software.

The Governance Manager along with the Director of People & Change gave the following responses to member questions:

- Officers were given training on risk management in an effort to achieve a consistent approach but this effort would be helped greatly by the introduction of the new risk management software, which would also assist with risks that were reduced and escalated. It was noted that the Governance Manager had recently achieved a qualification in the Management of Risk (MOR).
- Environmental risks would factor more highly in the risk assessment given that a Climate Change Emergency was recently declared.
- Tracked changes would be included in amended policies in future, so that the committee could be clear on what revisions had been made.
- An explanation of the meaning of the percentages associated with 'Effect' of risks would be circulated outside of the meeting.

The Director of People & Change suggested that the committee might like to see a live demonstration of the new risk management system once it went online and that this would be scheduled in due course.

At the start of the meeting representatives from SWAP had circulated details of a free training session for members and the Director of Finance and Assets reassured members that the Executive Team took member training needs seriously and if the committee felt that there was a specific need, they would be happy to consider options.

Upon a vote it was unanimously

RESOLVED that the Risk Management Policy 2019-20 be approved.

11. WORK PROGRAMME

The Executive Director Finance and Assets noted that the agenda for the September meeting was reduced as a result of many of the reports now being tabled at this (July) meeting, because of revised timetables.

There were no urgent items requiring a decision but Councillor Willingham noted that the Executive Director Finance and Assets had instructed SWAP as the council's internal audit providers to undertake a full-review on the decision-making process surrounding an issue presented at the recent Council meeting. The findings would be reported to the Audit Committee once finalised.

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

13. DATE OF NEXT MEETING

The next meeting was scheduled for the 18 September 2019.

Steve Harvey
Chairman

Cheltenham Borough Council Audit Committee – 18 September 2019 Internal Audit Monitoring Report

| | |
|--|---|
| Accountable member | Cabinet Member Corporate Services, Councillor Alex Hegenbarth |
| Accountable officer | Paul Jones, Executive Director – Finance and Assets |
| 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 SWAP Internal Audit Services (SWAP), the Council's internal audit service, is one of the control assurance sources available to the Audit Committee, the Executive Leadership Team and Corporate Management 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, Executive Director – Finance and Assets Paul.Jones@cheltenham.gov.uk, 01242 264365</p> |
| Legal implications | <p>None specific arising from the report recommendation</p> <p>Contact officer: Sarah Farooqi, Head of Law, One Legal Sarah.farooqi@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 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. |

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| Corporate and community plan Implications | <p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Chartered Institute of Internal Auditing UK and Ireland).</i></p> <p>Therefore, the internal audit activity impacts on corporate and community plans.</p> |
| Environmental and climate change implications | <p>Relevant to particular audit assignments and will be identified within individual reports.</p> |
| Property/Asset Implications | <p>There are no specific Property/Asset Implications arising from the content of the report</p> <p>Contact officers: Paul Jones, Executive Director – Finance and Assets</p> <p>Paul.Jones@cheltenham.gov.uk, 01242 264365</p> |

1. Background

- 1.1 The Annual Internal Audit Plan 2019/20 was aligned with the corporate and service risks facing the Council as identified in the consultation with the Corporate Management 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 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 SWAP Internal Audit Services (SWAP). SWAP is a 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, SWAP Internal Audit Services lucy.cater@swapaudit.co.uk 01285 623340 |
| Appendices | 1. SWAP Report of Internal Audit Activity |

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Cheltenham Borough Council

Report of Internal Audit Activity

Plan Progress 2019/2020

September 2019

Contents

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Internal Audit Plan Progress 2019/2020

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 Internal Audit Plan. This is approved by the Section 151 Officer (Executive Director – Finance and Assets), following consultation with the Council's Management Team. The 2019/20 Audit Plan was reported to, and approved by, Audit Committee at its meeting in April 2019.

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

Internal Audit Plan Progress 2019/2020

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 Annual Internal Audit Plan 2019/20. 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 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, are 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 (priority 1s and 2s) that have been identified during our audit reviews. These will be updated when the follow-up audit has been completed.

Appendix E summarises all recommendations made and the progress that has been made against these.

Internal Audit Plan Progress 2019/2020

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 2019/20 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 (Executive Director – Finance and Assets).

The following changes have been made to the plan:

We have been requested to undertake an audit on Property (Use of Contractors), to allow us to undertake this review we have removed the audit on Commissioning which was brought forward from 2018/19.

We have also been requested to undertake a piece of work on Planning Process and complaints procedure, the days for this audit will be taken from Contingency.

The audit on Business Rates Reset has been deferred at this time due to the slow progress at national level on the new Business Rates Scheme (due to come into effect April 2020).

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 | Priority | | | Comments |
|------------------------|-------------------------------------|---------|--------------|------------|-----------|---|---|---|----------------------|
| | | | | | | 1 | 2 | 3 | |
| | | | | | | 2018/19 Audits in Draft / In Progress at Annual Opinion | | | |
| Operational | Procurement and Contract Management | | Draft Report | | | | | | |
| Key Financial Control | Systems Admin | | Final Report | Reasonable | 7 | | 2 | 5 | See Appendices C & E |
| Key Financial Control | Human Resources | | Draft Report | | | | | | |
| Key Financial Control | Procurement | | Draft Report | | | | | | |
| ICT | Cyber Security | | Draft Report | | | | | | |
| Operational | Integrity of Data | | Draft Report | | | | | | |
| Advice and Consultancy | Benefits Realisation | | Draft Report | | | | | | |
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| | | | | | | | | | |

Internal Audit Work Plan Progress 2019/2020

APPENDIX B

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | Priority | | | Comments |
|--------------------|--|---------|---------------|-------------|-----------|----------|---|---|--------------------|
| | | | | | | 1 | 2 | 3 | |
| | | | | | | | | | |
| 2019/20 Audit Plan | | | | | | | | | |
| Governance | Annual Governance Statement | 1 | In Progress | | | | | | |
| Operational | Management and Monitoring of Contracts | 1 | | | | | | | |
| Operational | Asset Management | 1 | | | | | | | |
| Operational | Commercial Property / Investment Property | 1 | | | | | | | |
| Operational | Safeguarding | 1 | In Progress | | | | | | |
| Operational | Remote Workers | 1 | Draft Report | | | | | | |
| Operational | Commissioning (2018/19) | 1 | Audit Removed | | | | | | See note on page 3 |
| ICT | Software as a Service – Cloud Provision | 1 | ToE Issued | | | | | | |
| ICT | Software as a Service – Dataset Management | 1 | ToE Issued | | | | | | |
| Follow-Up | Ubico Financials | 1 | Final Report | Substantial | 1 | | | 1 | See Appendices C |
| Follow-Up | Business Continuity Management | 1 | | | | | | | |
| Operational | (NEW) Property (Use of Contractors) | 1 | In Progress | | | | | | See note on page 3 |
| | | | | | | | | | |

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | Priority | | | Comments |
|-----------------------|--|---------|-------------|---------|-----------|----------|---|---|--------------------|
| | | | | | | 1 | 2 | 3 | |
| Operational | Affordable Housing | 2 | | | | | | | |
| Operational | Business Rates Reset | 2 | Deferred | | | | | | See note on page 3 |
| Operational | Apprenticeship Scheme | 2 | In Progress | | | | | | |
| ICT | Cyber Security – Incident Management | 2 | | | | | | | |
| ICT | Cyber Security – High Risk Area (defined from 2018/19 audit) | 2 | | | | | | | |
| Grant Certification | Disabled Facilities Grant Certification | 2 | Complete | | | | | | |
| Operational | (NEW) Planning Process and Complaints Procedure | 2 | In Progress | | | | | | See note on page 3 |
| | | | | | | | | | |
| Key Financial Control | Revenues and Benefits | 3 | | | | | | | |
| | • National Non-Domestic Rates | | | | | | | | |
| | • Council Tax | | | | | | | | |
| | • Council Tax Benefit | | | | | | | | |
| Key Financial Control | Core Financials | 3 | | | | | | | |
| | • Accounts Payable | | | | | | | | |
| | • Accounts Receivable | | | | | | | | |

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | Priority | | | Comments |
|-----------------------|--|---------|-------------|---------|-----------|----------|---|---|----------|
| | | | | | | 1 | 2 | 3 | |
| | • Main Accounting | | | | | | | | |
| | • Payroll | | | | | | | | |
| | • 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 • Health and Safety | 3 | | | | | | | |
| ICT | Management of Service Provision | 3 | | | | | | | |
| ICT | ICT Business Continuity | 3 | | | | | | | |
| Grant Certification | Disabled Facilities Grant Certification – Additional Grant | 3 | In Progress | | | | | | |
| | | | | | | | | | |
| Governance | Risk Management | 4 | | | | | | | |
| Governance | Performance Management | 4 | | | | | | | |
| Operational | Planning Applications | 4 | | | | | | | |
| Operational | Publica Transformation Benefits Realisation | 4 | | | | | | | |

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | Priority | | | Comments |
|------------------------|---|---------|----------|---------|-----------|----------|---|---|----------|
| | | | | | | 1 | 2 | 3 | |
| Operational | Corporate Culture | 4 | | | | | | | |
| Follow-Up | Follow-Up of Recommendations made in Substantial and Reasonable Audits | 1 – 4 | On Going | | | | | | |
| Follow-Up | Follow-Up of Control Weaknesses identified by the Counter Fraud Unit | 3 – 4 | | | | | | | |
| Advice and Consultancy | Workforce Strategy | 1 – 4 | | | | | | | |
| Advice and Consultancy | Support to the Publica Transformation Programme | 1 – 4 | On Going | | | | | | |
| Advice and Consultancy | Assurance to the Partner Councils in respect of the Publica Transformation Programme | 1 – 4 | | | | | | | |
| Advice and Consultancy | Support for any emerging groups / programmes / projects • Town Centre Team Project Board | 1 – 4 | On Going | | | | | | |
| Advice and Consultancy | Support to the service responsible for Recyclates | 1 – 4 | | | | | | | |

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | Priority | | | Comments |
|-------------------------|--|---------|----------|---------|-----------|----------|---|---|----------|
| | | | | | | 1 | 2 | 3 | |
| Other Audit Involvement | Working with the Counter Fraud Unit | 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 | | | | | | | | |
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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.

2018/19 Systems Administration – Reasonable Assurance

Background

Publica Group provide ICT infrastructure and support services on behalf of Cheltenham Borough Council (CBC), Cotswold District Council (CDC), Forest of Dean District Council (FoDDC) and West Oxford District Council (WODC).

As part of this service, Publica have written the ICT and Security Policies in place across Publica, CBC, CDC, FoDDC and WODC, although at the time of writing the Policy is awaiting full approval at CBC. The Security Policy framework incorporates an Access Control Policy which defines the required security controls for the provision of access and permissions to the councils' network and applications. Robust identity and access management processes and access controls are fundamental to help ensure the confidentiality, integrity and availability of an organisation's systems and data.

The Publica ICT team are responsible for the administration of the ICT estate however for certain applications, systems admin duties including access control fall within the service areas themselves and are not the sole responsibility of the ICT team.

Business World, the main financial system in use across the authorities, is managed by a dedicated systems admin team within Publica ICT. At Cheltenham Borough Council, Civica OpenRevenues and Civica Cash Receipting system admin duties are the responsibility of experienced team managers of those service areas. The Civica Cash Receipting system at CDC, FoDDC and WODC has a dedicated ICT system administrator who is also able to support CBC.

Audit Conclusion / Findings

Overall, the systems admin user access controls and processes reviewed for the business applications used by Publica and the Councils were found to be adequately controlled. The recommendations made within this report apply to processes across all business systems to improve internal controls and management of risks.

Those employees with systems admin responsibilities that were interviewed, are knowledgeable and understand their responsibilities and systems well.

A Security Policy framework is in place and incorporates an access control policy. An end to end access control process should be closely aligned to the Policy, fully documented and communicated widely. Whilst a process is generally followed by most teams, a recommendation has been made to document, align and ensure coverage of an Identity and Access Management process across all systems and for local procedures to be documented or updated to align with the overarching policy and process.

Application settings should reflect the requirements stipulated in the Security Policy. A recommendation is made for the Policy to be issued to and reviewed by the system administrators so that any discrepancies are captured, remediated or risk managed.

Regular access reviews are not currently performed, and a review of system access levels highlighted a need for this secondary control. In line with the Policy, a recommendation is made to undertake and document regular reviews of all access across all systems to ensure employees access is current, required and accurate according to job role and responsibility.

We were advised that the recommendations from the external auditor, Grant Thornton's ICT audit of 2018 are in progress.

| Priority | Recommendation | Management Response | Due Date |
|----------|--|---|-----------------------------|
| 2 | We recommend a principal Identity and Access Management process detailing requirements for 'Joiners, Movers and Leavers' is developed and documented and that complies with the requirements set out in the Information Security and Access Control Policy. The overarching process should apply to and embrace all systems that may not be included within the standard ICT | Our team ICT Administrators are now updating and documenting our Access Management system process for joiners, Movers and Leavers. A change control process will be introduced that will document significant changes to the ICT infrastructure which will also align to our ICT User Policies and guidances. | 31 st March 2020 |

| | | | |
|---|--|--|--|
| | <p>team scope and should be available for all employees to view and follow.</p> <p>System administrators should then document or update local processes and procedures that should be in alignment with the overarching policy and process requirements. and documented on a quarterly basis as per the requirements of the Risk Management Policy</p> | | |
| 2 | <p>We recommend that officers with systems administration responsibilities are requested to review the Security Policy and its requirements, perform a gap analysis on their current system settings and processes and devise a plan to implement those changes to ensure continued compliance with the Policy. Should it not be possible to make changes for any reason, they should be risk assessed and documented on the ICT risk register or policy exception register.</p> <p>Priority</p> | <p>We agree with the password setting findings and risks with on systems Business World and Civica applications. However at present these risks are mitigated by the Active Directory (AD) password settings. Both Business world and Civica systems users only access these systems via the AD. We also comply with the HMG National Cyber Security Centre (NCSC) password guidance on our network. However, we will seek to review all passwords policy setting on both applications. Our ICT Risk register will be updated to reflect these security risks and mitigations.</p> | <p>31st December 2019</p> |

19/20 Ubico's Accounting of Fleet Maintenance – Substantial Assurance

Background

In 2018 Cheltenham Borough Council requested a review of Ubico's fleet maintenance processes following the receipt of an invoice for the maintenance of Cheltenham's in-house fleet vehicles. This invoice appeared to be too high for the amount of work carried out and no supporting documentation was available on request. We reviewed Ubico's process to manage records of maintenance and servicing of their partners' fleet vehicles and equipment at the Cheltenham

depot.

The initial review involved an overarching review of Cheltenham and Tewkesbury's Cost centres within Ubico's financial system (Business World) to identify potential areas of spend where Cheltenham were being charged for work carried out on other partner's vehicles/equipment. Following this initial testing the following areas of spend were tested further using records maintained by Ubico's fleet services team: - Hires - Tyres - Spare Parts - Fuel

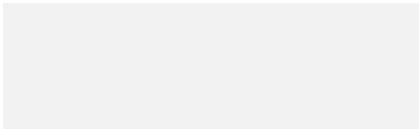
Our review found that, although processes to record expenditure related to fleet maintenance had recently been improved, during our testing period (2017/18) £72,878 of spend accounted to the Cheltenham contract was for vehicles of other partners.

A recommendation was made to Cheltenham Borough Council, to request repayment from Ubico and carry out a follow-up review to test the performance of the new processes introduced at the time of the original audit. Following agreement from Ubico's Financial Director, Cheltenham Borough Council raised an invoice for £70,390.80, which was paid on 28th February 2019.

Audit Conclusion / Findings

We are pleased to offer Substantial Assurance over the management of fleet maintenance records by Ubico fleet administrators. Records that itemise expenditure against individual vehicles were found to be thorough and accurate. A full audit trail, from work carried out on fleet vehicles to costs charged to the Council, is maintained and easily available.

Circa £1,193,000 worth of payments made during the test period were reviewed. £5,769 of supplier payments were found to be incorrectly coded to Cheltenham Cost centres (within the Ubico client in Business World) when they should have been charged to other partner Councils. A recommendation has been made to prevent future mistakes in coding supplier payments and the transactions highlighted to the Business Partner Accountant to make the appropriate corrections.



High Priority Recommendation Follow-Up

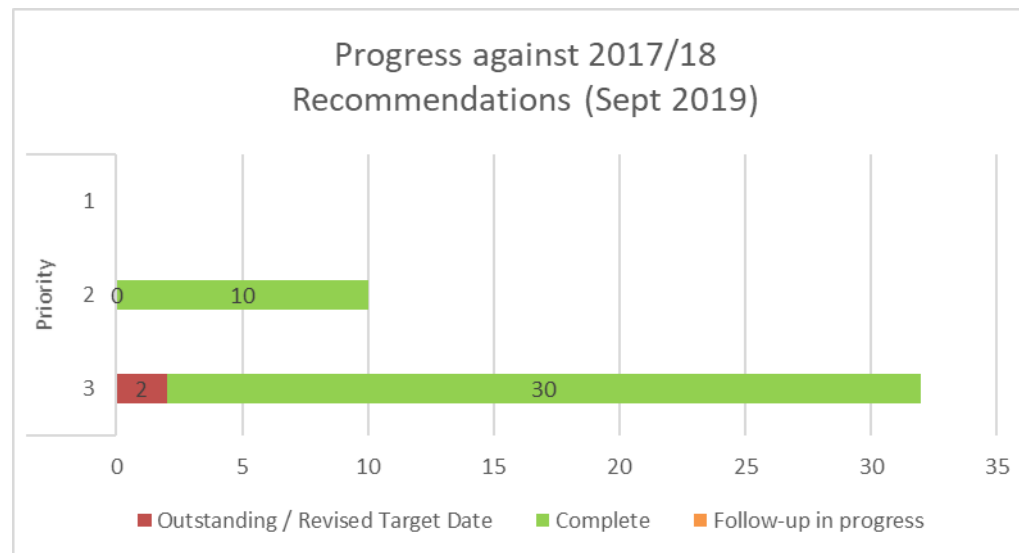
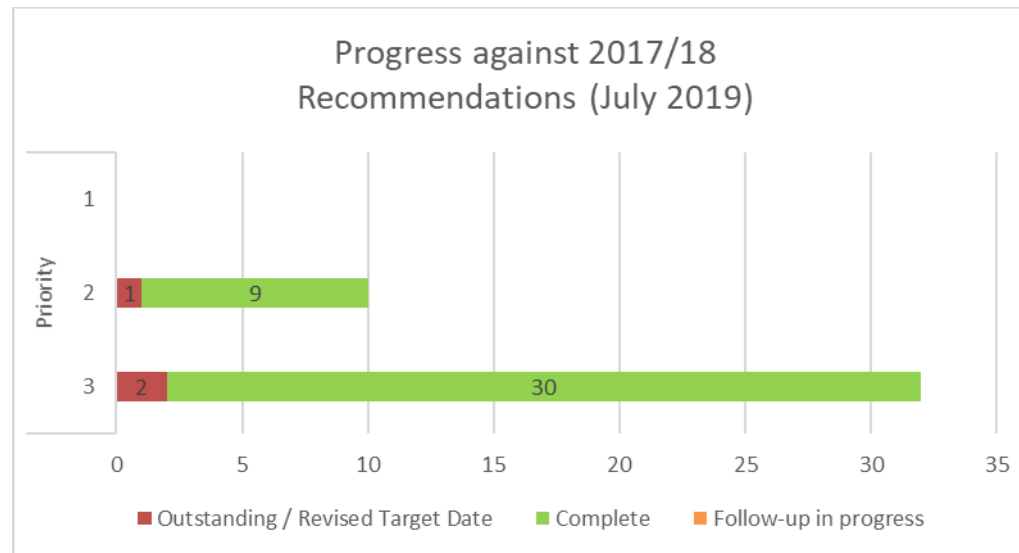
APPENDIX D

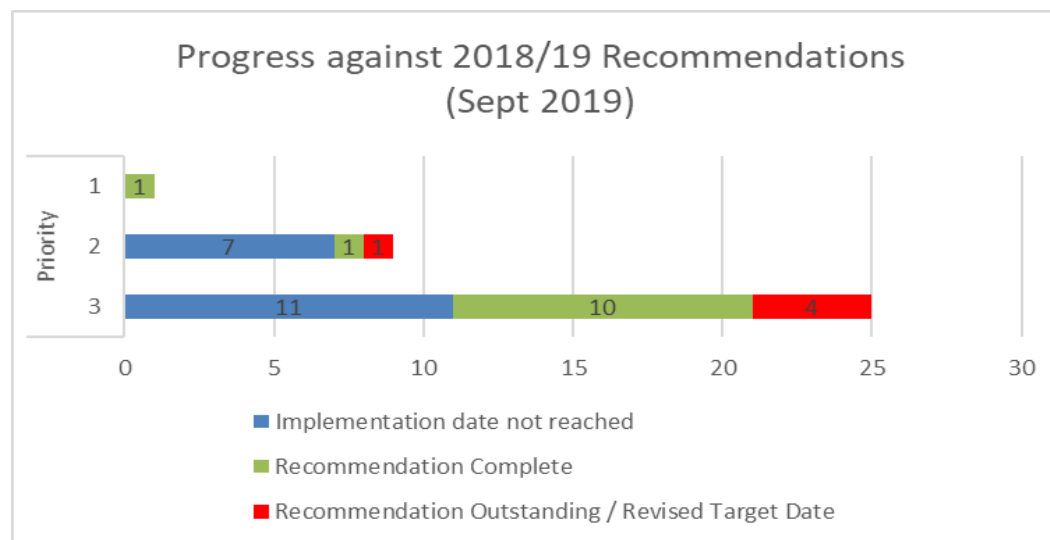
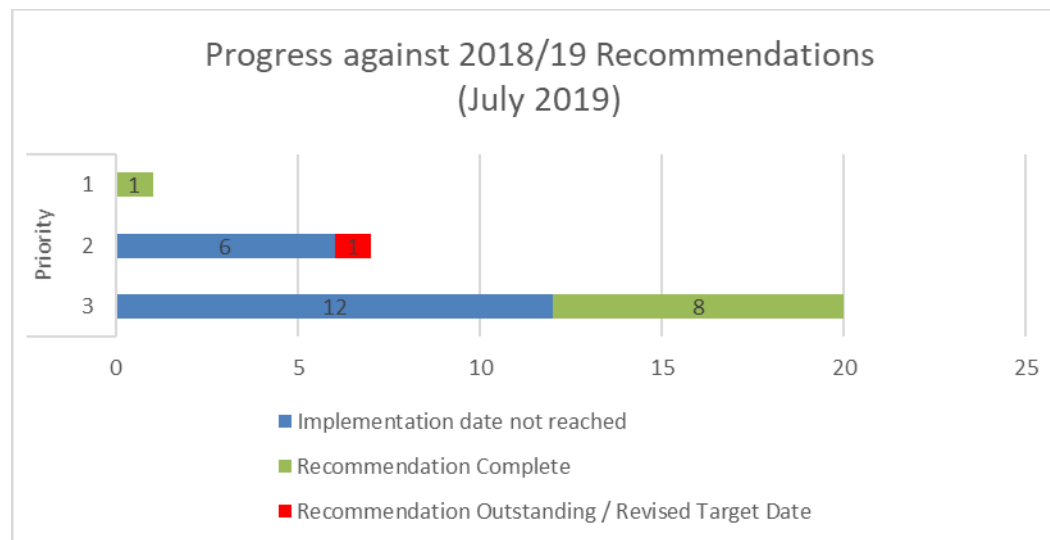
| Audit Name | Priority | Recommendation | Management Response | Due Date | Update September 2019 |
|--|----------|--|---|----------|---|
| 2018/19 Data Protection Act 2018 | 2 | To comply with the Policy Framework (Appendix C) of the Constitution, the revised ICT policies must be formally approved by Senior Management. | Policies are going to be reviewed by CMT board on the 12th February 2019. | 28/02/19 | Polices approved August 2019 Recommendation Complete |
| 2018/19 Business Continuity Management | 2 | Consideration could be given to aligning the BCP with the international standard ISO22301, as this provides a framework to plan, establish, implement, operate, monitor, review, maintain and continually improve a business continuity management system. | Consideration will be given to aligning the BCP with the international standard ISO22301 following the review of the Business Continuity Planning process which will be undertaken by the Civil Protection Team after April 2019. | 30/06/19 | Follow up audit will be undertaken in autumn 2019. |
| 2018/19 Business Continuity Management | 2 | Consideration should be given to the clarity of the existing template and its ability to guide an officer in difficult and stressful times, and adopting an existing template, to better meet the authority's responsibilities. | An independent review of the CBC BCPs has been agreed with the Civil Protection Team this will commence after April 2019 when resources become available. The Corporate BCP will be identified as the first plan to be reviewed. | 30/06/19 | Follow up audit will be undertaken in autumn 2019. |
| 2018/19 Business Continuity Management | 2 | Consideration could be given to the utilising the out of hours automated phone system, already in place, as an emergency information line for providing information to staff and / or the public if other methods of communication are down. | Consideration will be given to utilising the out of hours automated phone system already in place as an emergency information line after the review of the Business Continuity Plans. | 30/06/19 | Follow up audit will be undertaken in autumn 2019. |
| 2018/19 Accounts Receivable | 2 | A review of all active subscriptions should be carried out, on behalf of each client, to identify any other duplicate subscriptions and these should all be corrected. Priority | Agreed. This will be carried out. Additional training will also be provided to AR officers to prevent this occurring again in the future. | 31/03/19 | Will be followed up during the annual audit of Accounts Receivable. |

High Priority Recommendation Follow-Up

APPENDIX D

| Audit Name | Priority | Recommendation | Management Response | Due Date | Update September 2019 |
|--|----------|---|--|----------|--|
| 2018/19 Members' and Officers' Gifts, Hospitality and Declarations of Interest | 2 | We recommend that consideration is given to work between CBC and the Counter Fraud Unit (CFU) to refresh the approach to the declarations process as part of their planned work discuss the introduction of a risk-based approach to conflict of interest forms in 2019/20. Priority | The CFU manager agrees to review this with the support of SWAP and Governance Group as part of the 2019/2020 work plan. The Programme Manager agrees to work with the CFU to review their risk-based approach and see if this is appropriate for implementation at CBC. | 31/03/20 | Work ongoing. |
| 2018/19 Members' and Officers' Gifts, Hospitality and Declarations of Interest | 2 | We recommend that actions are taken to increase officer awareness on the responsibility to declare interests, gifts and hospitality. This may include (but not be limited to): - Regular reminders posted on the staff intranet - Sending out email reminders - Periodic training | The Programme Manager agrees to increase officer awareness through reminders on a quarterly basis and ensure periodic training is undertaken. | 30/04/19 | We were advised that this recommendation will be actioned via a new learning & development system that has been purchased. Agreed to extend implementation date to 30/06/20. |
| | | | | | |





Cheltenham Borough Council Audit Committee – 18 September 2019 Counter Fraud Unit Report

| | |
|---------------------------------|--|
| Accountable Member | Cabinet Member Corporate Services, Councillor Alex Hegenbarth |
| Accountable Officer | Paul Jones Executive Director Finance and Assets 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. The Counter Fraud Unit will continue to provide Audit Committee with direct updates biannually.</p> <p>Work plans are presented to the Audit Committee detailing progress and results for consideration and comment as the body charged with governance in this area.</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, Executive Director Finance and Assets 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>The Counter Fraud Unit adheres to the appropriate legislation when conducted work on behalf of the Council and other partners.</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 continues to work closely with the Counter Fraud Unit on all internal investigations.</p> <p>The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.</p> <p>Contact officer: Deborah Bainbridge, Business Manager People Deborah.Bainbridge@publicagroup.uk 01285 623148</p> |
| Key risks | <p>The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The Counter Fraud Unit provides assurance in this area.</p> <p>Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption.</p> <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.</p> <p>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 | N/A |
| 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

- 1.1. 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.
- 1.2. Attached at Appendix 2 is a copy of the work plan for 2019/20.
- 1.3. In addition to Appendix 2, as a dedicated investigatory support service, the CFU undertakes a wide range of enforcement work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work. As at the beginning of the year, the CFU had 21 open cases. Since 1 April 2019:
 - Single Point of Contact for Department for Work and Pensions (DWP) referrals. 44 Local Authority Information Exchange Forms have been received or referred to DWP for action.
 - Undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support). 12 cases have been referred for investigation and 11 cases have been closed or rejected. This has resulted in 1 criminal sanction (penalty), 1 Civil Penalty and an amount exceeding £1,491 of recoverable Council Tax Support and fines being calculated. In addition overpayments of Housing Benefit exceeding £1,056 have been generated.

In October 2018 we commenced a joint Working pilot with the DWP to enable a joined-up approach to investigation and sanction of cases involving Housing Benefit and Council Tax Reduction and 15 joint working cases have been received or referred.

- Review of the NNDR empty void premises – rolling review of premises rated as empty. Since 1 April 2019 141 visits have been completed – 12 were identified as potentially occupied with a rateable value of £141,075 (subject to Small Business Rate Relief). A further 38 had anomalies or account amendments referred to the team. This exercise is 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 the empty residential properties not yet classified as long term (C1 Empties) or those classified as long term empty. 446 properties have been referred and visited. 41 properties have been referred as occupied / furnished with a request to review liability. The work supports the Council's Revenues Team to manage empty properties and maximise the tax base and new homes bonus.
- National Fraud Initiative - Student Loan, Market Trader and Housing Benefit match review commenced.
- A further 3 cases have been referred from Parking Services, Environmental Health and Revenues. The Revenues case is complete and resulted in the removal of a single person discount and increased liability of £664.
- Work with Cheltenham Borough Homes:
 - 135 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.
 - Full review of the Housing List. Verification of applications within Emergency Band (61 applications), Gold Band (55 applications) and Silver Band (601 applications). 157 applications have been referred for removal or review, results are pending but 5 applications have been removed to date being £16,200 in loss avoidance.

Whilst undertaking the review, the CFU also processed the related National Fraud Initiative anomalies – this is ongoing.

Each cancelled application represents a property which can be reallocated to another eligible family. In line with NFI reporting, for each reallocation, a figure of £3,240 per case can be identified as a loss avoidance figure because there is no need for temporary accommodation to be utilised. In addition the result of the band reprioritisation is that those families who are correctly banded have a greater chance of being housed and more speedily.
 - 2 cases resulting in the termination of tenancy and return of the property resulting in £192,000 loss avoidance.

The NFI annual report estimated the figure to be £93,000 per property recovered based on average four year fraudulent tenancy – this includes temporary accommodation for genuine applicants, legal costs to recover the property, re-let costs and rent foregone during the void period between tenancies.

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 | Executive Director Finance and Assets | 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 | Executive Director Finance and Assets | 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 / Contact | Task | Dates / Notes |
|----------------------|---|--|
| Corporate / Strategy | Delivery of two reports for Audit (and Risk) Committee | April, September and March |
| Corporate / Strategy | RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff | Annual update provided April Policy drafts and training plan to Governance Group for approval prior to Audit Committee in March |
| Corporate / Strategy | Home Office Serious and Organised Crime Checklist and accompanying work plan | Draft issued to Governance Group; July and ELT; August. To be cascaded to Service Managers and Team Leaders |
| Corporate / Strategy | Home Office Bribery and Corruption Assessment Template and accompanying work plan | Draft commenced |
| Corporate / Strategy | Staff and Members Fraud Awareness Sessions | No Member provision required / Staff only |
| Corporate / Strategy | Development / Review of Fraud Response Plan | SOC consideration |
| Corporate / Strategy | Review Corporate Risk Register | SWAP recommendation Fighting Fraud & Corruption 1.1.1.a |
| Corporate / Strategy | Development of Fraud awareness literature for staff and members | Draft to be produced September for consultation |
| Corporate / Strategy | Development of RTB / debt recovery process | |
| Corporate / Strategy | Enforcement Officer training | |
| Corporate / Strategy | Collation and Publication of Fraud Transparency Data | Complete; Published August |
| Procurement | Assist with review of Procurement and Contract Strategy | Q3: SOC consideration / SWAP recommendation Fighting Fraud & Corruption 1.1.2a |
| Procurement | Supplier payment review | Q3 |

SOC = Serious and Organised Crime

| Department / Contact | Task | Dates / Notes |
|-----------------------|--|--|
| SWAP | Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest | SOC consideration / SWAP recommendation Members' and Officers' Gifts, Hospitality and Declarations 1.1 |
| SWAP | Review of the Gifts and Hospitality Policy and Procedure | SOC consideration |
| HR | Review of HR Recruitment and Vetting Policy and Procedures | Q3: SOC consideration |
| Policy | Drafting / consultation / adoption of Money Laundering Policy | Q4 |
| Revenues and Benefits | NNDR (Business Rates) empties on a rolling review | As at 31.8.2019 141 visited / 12 potentially occupied with rateable value of £141,075 / 38 further anomalies |
| Revenues and Benefits | Council Tax Long Term Empties / Short Term Empties reviews | 446 properties visited. 41 properties have been referred as occupied / furnished with a request to review liability. |
| Revenues and Benefits | Holiday Let review | Q4 |
| Revenues and Benefits | National Fraud Initiative Match Review – (2 matches only) | Commenced August |
| CBH / CBC | Review of Housing List | Commenced June – initial results relating to Emergency and Gold = 5 removals £16,200 loss avoidance |

SOC = Serious and Organised Crime

The Annual Audit Letter for Cheltenham Borough Council

Year ended 31 March 2019

August 2019



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) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council 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 2019.

Our work

| | |
|------------------------------------|---|
| Materiality | We determined materiality for the audit of the Council's financial statements to be £1.59 million for the Group, (£1.56m for the Council), which are 2% of the Council's gross revenue expenditure. |
| Financial Statements opinion | We gave an unqualified opinion on the Council's financial statements on 30 July 2019. |
| Whole of Government Accounts (WGA) | We completed work on the Council's consolidation return following guidance issued by the NAO. |
| Use of statutory powers | We did not identify any matters which required us to exercise our additional statutory powers. |
| 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 2019. |
| 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 November 2019. We will report the results of this work to the Audit Committee separately. |
| Certificate | We certified that we have completed the audit of the financial statements of Cheltenham Borough Council in accordance with the requirements of the Code of Audit Practice on 30 July 2019. |

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

Executive Summary

Working with the Council

- An efficient audit – we delivered an efficient audit with you in July, delivering the financial statements before the deadline, releasing your finance team for other work
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Financial statements workshop - we invited members of your finance team to our workshop on current developments that impacted the 2018-19 financial statements

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 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council'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 Council's financial statements to be £1.59 million for the Group and £1.56m for the Council, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower level of specific materiality for senior officer remuneration of £20k due to its sensitive nature.

We set a lower figure of £0.80 million for the Group (£0.78 million for the Council), 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 financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report 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 was based on a thorough understanding of the Council's business and is risk based.

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

Audit of the Financial Statements

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.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|---|---|--|
| Valuation of land and buildings The Council revalues its land and buildings on a rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. | We: <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• considered the competence, expertise and objectivity of any management experts used• discussed with the valuer the basis on which the valuation is carried out and challenge of the key assumptions• reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding• tested revaluations made during the year to ensure they are input correctly into the Council's asset register• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. | Our audit work has identified the following issues in respect of valuation of property, plant and equipment: <ul style="list-style-type: none">• We note that on revaluation of property, plant and equipment, the carrying amount of that asset is adjusted to the revalued amount and subsequently, any accumulated depreciation and impairment at the date of valuation should be eliminated against the gross carrying amount of the asset and the amount restated to the revalued amount of the asset. We identified that accumulated depreciation had not been eliminated against the gross carrying amount of the asset for Council Dwellings. Management amended this in the final version of the financial statements.• Our audit work did not identify any other issues in respect of valuation of property, plant and equipment. |

Audit of the Financial Statements

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.

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|---|---|
| <p>Valuation of investment properties</p> <p>The Council revalues its investment properties on an annual basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of investment property revaluations as 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">evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their workevaluated the competence, capabilities and objectivity of the valuation expertcommunicated with the valuer to confirm the basis on which the valuations were carried outchallenged the information and assumptions used by the valuer to assess completeness and consistency with our understandingtested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset registerevaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to fair value. | <p>Our audit work has not identified any issues in respect of valuation of investment properties.</p> |

Audit of the Financial Statements

| Risks identified in our audit plan | How we responded to the risk | Findings and conclusions |
|--|---|---|
| <p>Valuation of net pension liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> | <p>We:</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 and assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. And gained an understanding of the basis on which the valuation is carried out undertook procedures to confirm the reasonableness of the actuarial assumptions made checked 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>Our audit work did not identify any issues in respect of the Pension Fund net liability.</p> <p>The Council requested an estimate from its actuary of the potential impact of the 'McCloud' ruling and GMP equalisation changes. The actuary's estimate was of a possible increase in pension liabilities of £442,000. We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledged the significant uncertainties relating to the estimation of the impact on the Council's liabilities.</p> |
| <p>Management override of internal control</p> <p>We identified management override of controls as a risk requiring special audit consideration</p> | <p>We:</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determine the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates and significant unusual transactions. | <p>Our work has not identified any significant issues in respect of management override of controls to bring to your attention.</p> <p>As previously reported to the committee in the prior year, journals posted by finance users do not require authorisation prior to being posted into the system. Our detailed testing of journals did not identify any issues to bring to your attention.</p> |

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 30 July 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 30 July 2019.

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 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.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Cheltenham Borough Council in accordance with the requirements of the Code of Audit Practice on 30 July 2019.

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 risks where we concentrated our work.

The 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 2019, we agreed recommendations to address our findings.

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 2019.

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Key findings

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

| Significant risk | Findings |
|---|---|
| <p>Medium Term Financial Plan</p> <p>In our audit plan dated January 2019, we highlighted the following risk.</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 indicates that the Council proposes to fund a gap of £2.019m with £1.6m of savings plans and additional income, with the residual gap to be funded from the Budget Strategy (Support) Reserve during 19/20, and also includes a number of unidentified savings over the period to 2022/23.</p> | <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 2018/19 have been achieved and the Council has delivered an underspend of £40k during the year, although as part of this, use of the Budget Strategy (Support) Reserve totalling £913k was required. There were no material variances to budget and the forecast underspend for the year as at Q3 is similar to actual - £43k forecast vs £40k actual. • Savings are monitored by Finance on a monthly basis. Savings are built into base budgets, and are therefore monitored through the variances reported in quarterly revenue budget monitoring. 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. This process is well established and has not significantly changed for a number of years. • The savings for 2019/20 have been identified and can be attributed to specific plans, such as the car parking strategy. The savings plans of £1.934m include £256k reliance on reserves. • 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. We have considered the use of reserves in 2018/19 to deliver financial balance. The Council plan to use £256k of the Budget Strategy (Support) Reserve in 2019/20. The level of reserves is sufficient to support the budget for 2019/20 but beyond this it will have to be replenished. • We therefore note this as a recommendation within the AFR as the reserve will require replenishment by 2020/21 under current plans. 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>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> |

Key findings

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

| Significant risk | Findings |
|---|---|
| Publica Group (Support) Ltd In our audit plan dated January 2019, we highlighted the following risk. The Council transferred a number of services to Publica from 1 November 2017. Publica provides ICT, HR and finance services for Cheltenham Borough Council. | Background <ul style="list-style-type: none">• The company, Publica Group was registered in the latter part of 2016/17. Executive and Non-Executive Directors were appointed to the Board in March 2017, and the first monthly Publica Board meeting took place in April 2017. The majority of staff transferred to the Company on the 1st November 2017.• For three of the member councils, not including Cheltenham Borough Council, Publica directly manages public services. Publica provides reduced-scope services to Cheltenham Borough Council which include ICT, HR and finance functions.• The Council hold 25% of the voting rights of Publica, and service delivery is managed within the company in accordance with the service contracts agreed by the Council. Contract monitoring processes in place to ensure performance and quality standards are delivered in line with the original Business Plan: <ul style="list-style-type: none">• The company provides a mechanism to bring employees from across the partner Councils under a single employment arrangement. The company is independent of individual councils but accountable equally to all partners. As part of the establishment of Publica a number of items were identified as reserved matters for council approval to ensure that member councils retained an element of control over their company. The reserved matters were approved in October 2016 as part of the governance principles underpinning the establishment of Publica.• Frequent informal and formal reporting is provided by Publica to enable the Councils to monitor performance and quality standards (including, for example, standards around data protection). This also includes informal, regular meetings and correspondence with the s151 Officer at the Council; providing an additional platform for issues to be discussed.• Cabinet and the Overview and Scrutiny Committee continue to receive quarterly performance and finance reports which provide members with an understanding of the performance and quality of services delivered. Any underperformance issues would be addressed and challenged at these key meetings.• Reports provided by Publica also provide a review of outturn against budget which include savings to be achieved through Publica. Explanations are provided for significant under and over spends. The Council has also included a risk around Publica service delivery within their corporate risk register which is reported to Cabinet. We concluded that the Council has appropriate arrangements in place to monitor Publica’s performance against quality standards in line with the original Business Plan. |

Significant risk

Findings

Publica Group (Support) Ltd (cont.)

The arrangements in place at the Council to ensure Publica is delivering required financial savings while maintaining agreed service standards:

- Publica's business plan includes a number of objectives, ambitions and key tasks against which their performance (and in particular, delivery of financial targets) can be measured and highlights the importance of providing robust data and performance metrics to the Councils' to that they can track their performance. The 2019/20 Business Plan was presented to Cabinet in May 2019.
- Cabinet and the Overview and Scrutiny Committee continue to receive quarterly performance and finance reports which provide members with an understanding of the performance and quality of services delivered. Reports also provide a review of outturn against budget which include savings to be achieved through Publica.
- The Q3 performance report identified that over 90% of KPIs are on or exceed target. We also note that the contract size for Cheltenham is significantly lower for Cheltenham than any of the other partners, being £1.339m for Cheltenham in 2019/20. The Plan notes that Publica delivered £0.48m of savings across the 2018/19 financial year for all four Councils in total and have a target of £0.93m for 2019/20. In addition to these business case savings, there are additional savings of £1.25m (again across all partners) for 2018/19. Publica are aiming to deliver a further £1.536m of savings across all four Councils for 2019/20.
- However for Cheltenham, the planned 2019/20 savings are negligible with a saving of £0.39m planned for 2019/20.
- Overall, this demonstrates the process by which the Council hold Publica to account through the Overview and Scrutiny Committee (which is responsible for monitoring performance, quality and improvement). Weekly meetings are held between officers of the Council and Publica, and briefings are provided to members on a regular basis.

We concluded that the Council has appropriate arrangements in place to ensure Publica is delivering required financial savings while maintaining agreed service standards.

Significant risk

Findings

**Publica Group (Support) Ltd
(cont.)**

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:

- We have considered the Governance arrangements of the Council over Publica, to provide appropriate oversight as one of the partnership organisations. In October 2016, the Council agreed the detailed governance principles applicable to Publica. These principles were incorporated within the Company's Articles and Association and the Members' Agreement, providing Councillors with rights to monitor the operational performance of the company.
- The 2019/20 Publica Business Plan was presented by the Publica Managing Director to Cabinet for consideration by members. This plan is based upon the principles and targets set out in business case which was approved by Council in 2016.
- Internally, the Council hold to account the managing director of Publica, and monitor the partnership through the Overview and Scrutiny Committee – this Committee is responsible for monitoring performance, quality and improvement. Weekly meetings are held between officers of the Council and Publica and briefings are provided to members.
- A Member Group comprised of the Chairmen of the Overview and Scrutiny Committees, representatives of the Cabinet and the Leaders of the Political Groups had been established to review the work of Publica, agreed as part of the year end performance meeting in May 2018. This Group represents a member platform for queries and discussions around Publica's performance and operations.
- In 2017/18 we raised a recommendation that arrangements for Council members to formally liaise and communicate with Publica should be agreed following the year anniversary of the operation of Publica. We understand that the first meeting has taken place in June 2019.
- The Council's Peer Review noted one recommendation around the governance of Publica. The report states: "...the council needs to be clear on what it expects Publica to provide. The history before and after 2016 means that there has been understandable uncertainty. Members and staff need clarity on respective client and contractor roles and responsibilities. Developing this clarity will enhance the relationship with increased certainty on respective expectations and will enable the model to begin to realise its potential to deliver community benefits and further efficiencies."

We concluded that the Council has appropriate arrangements in place 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.

We recommend that the Council continue to develop clarity on respective roles and responsibilities and continue to strengthen the communication process with Publica Group (Support) Ltd officers.

A. 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 | January 2019 |
| Audit Findings Report | July 2019 |
| Annual Audit Letter | August 2019 |

| Audit fee | Actual 2017/18 fee £ | Planned 2018/19 fee £ | Final 2018/19 fee £ |
|-----------------------------|-------------------------|--------------------------|------------------------|
| Council Audit | 49,406 | 38,043 | 38,043 |
| Additional Audit Fee * | - | | 4,500 |
| Total audit fees (excl VAT) | 49,406 | 38,043 | 42,543 |

* Additional audit fees are subject to confirmation by PSAA.

| Fees for other services | Fees £ |
|------------------------------------|---------|
| Audit related services: | |
| • Certification of PHCR | £2,100 |
| • Certification of Housing Benefit | £19,906 |
| Non-audit services: | £3,750 |
| • CFO Insights | |
| Total fees for other services | £25,756 |

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

A. Reports issued and fees

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £38,043 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed significantly, which has led to additional work. These are set out in the following table and were discussed at the Audit Committee on 25 July 2019.

| Area of work | Timing | Comment | £ |
|--|------------------|---|-------|
| Assessing the impact of the McCloud Ruling | June - July 2019 | The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statement along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert. | 1,500 |
| Pensions – IAS 19 | June - July 2019 | The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year. | 1,500 |
| PPE Valuation – work of experts | June - July 2019 | As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this. | 1,500 |

Fee variations are subject to PSAA approval.



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Audit Committee 2019-20 work plan

| Item | Author |
|--|--------------------|
| 18 September 2019 (Report deadline: 6 September 2019) | |
| Internal audit monitoring report | Internal Audit |
| Counter Fraud update and future work provision | Counter Fraud Unit |
| Annual audit letter (for the previous year) | Grant Thornton |
| Arrangements to lease recycling and refuse vehicles from the Council to Ubico (briefing paper – update on issue) | Karen Watson |
| 22 January 2020 (Report deadline: 10 January 2020) | |
| IT Security update | IT |
| Audit committee update | 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 |
| 24 March 2020 (Report deadline: 12 March 2020) | |
| Audit committee update | Grant Thornton |
| Audit plan (for the current year) | Grant Thornton |
| Annual plan (for the upcoming year) | Internal Audit |
| Internal audit monitoring report | Internal Audit |
| Counter Fraud update and future work provision | Counter Fraud Unit |
| Annual review and approval of RIPA guidance policies | Counter Fraud Unit |
| Annual review of Code of Corporate Governance | Darren Knight |
| Annual Governance Statement | Darren Knight |
| Annual Review of Risk Management Policy | Ann Wolstencroft |
| 22 July 2020 (Report deadline: 10 July 2020) | |
| 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 |
| Auditing Standards – communicating with the Audit Committee | Paul Jones |
| Statement of Accounts (previous year) (inc. letter of representation) | Finance Team |

Audit Committee 2019-20 work plan

| Item | Author |
|------|--------|
|------|--------|

| ANNUAL ITEMS (standing items to be added to the work plan each year) | |
|---|--------------------|
| January | |
| IT Security update | IT |
| Audit committee update | 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 |
| Annual plan (for the upcoming year) | Internal Audit |
| Internal audit monitoring report | Internal Audit |
| Counter Fraud update and future work provision | Counter Fraud Unit |
| Annual review and approval of RIPA guidance policies | Counter Fraud Unit |
| Annual review of Code of Corporate Governance | Darren Knight |
| Annual Governance Statement | Darren Knight |
| Annual Review of Risk Management Policy | Ann Wolstencroft |
| 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 |
| Auditing Standards – communicating with the Audit Committee | Paul Jones/Chair |
| 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 |
| Annual audit letter (for the previous year) | Grant Thornton |

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

Briefing Notes

Committee name: **Audit Committee**

Date: **18 September 2019**

Responsible officer: **Karen Watson, Client Manager – Environmental Maintenance**

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

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

Cheltenham Borough Council/Ubico Vehicle Lease

Audit Committee have requested an update on progress on this matter.

Cheltenham Borough Council is the asset owner for all the vehicles and plant operated by Ubico, the Council's service provider for the delivery of environmental maintenance services covering waste, recycling, grounds maintenance and street cleansing services in line with the contract agreement put in place in 2012.

In 2018, Grant Thornton, the Council's external auditor, determined in their Independent Auditor's Report, that the contract put in place between Cheltenham Borough Council and Ubico in 2012 did not adequately cover the use of Council owned vehicles and plant by Ubico and officers were required to regularise by a finance lease between the two parties.

On 24 July 2019, Grant Thornton, in their Independent Auditor's report to Audit Committee, identified that this matter was still outstanding. Although not having a finance lease in place is considered a low risk to the authority, it is considered necessary in regard to due diligence.

During 2018, the management of the Ubico contract changed as a result of the authority's wish to take back in-house control of this service area from the Gloucestershire Joint Waste Team and terminate membership of the Gloucestershire Joint Waste Committee. Considerable work took place during 2018/19 to formally withdraw from the Joint Waste Committee and team and thereby improve management of the Ubico contract and put in place an in-house management team.

A lease has been prepared by One Legal, agreed by both clients, and has now been executed.

Contact Officer: Karen Watson, Client Manager, Environmental Maintenance
Tel No: 01242 264397
Email: Karen.watson@cheltenham.gov.uk or cleangreen@cheltenham.gov.uk

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