



Notice of a meeting of Audit, Compliance and Governance Committee

**Wednesday, 27 January 2021
6.00 pm**

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

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

Agenda

1.	APOLOGIES Councillor Clucas	
2.	DECLARATIONS OF INTEREST	
3.	MINUTES OF THE LAST MEETING 11 November 2020	(Pages 3 - 10)
4.	PUBLIC AND MEMBER QUESTIONS These must be received no later than 12 noon on the fourth working day before the date of the meeting	
5.	ANNUAL GOVERNANCE STATEMENT - SIGNIFICANT ISSUES ACTION PLAN Darren Knight, Executive Director People & Change	(Pages 11 - 14)
6.	THE AUDIT FINDINGS FOR CHELTENHAM BOROUGH COUNCIL (FINAL) Grant Thornton	(Pages 15 - 52)
7.	ANNUAL AUDIT LETTER Grant Thornton	(Pages 53 - 70)
8.	AUDIT PROGRESS REPORT AND SECTOR UPDATE Grant Thornton	(Pages 71 - 84)
9.	INTERNAL AUDIT MONITORING REPORT	(Pages

		Lucy Cater, Assistant Director (South West Audit Partnership)	85 - 116)
10.		WORK PROGRAMME	(Pages 117 - 118)
11.		ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION	
12.		LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION The committee is recommended to approve the following resolution:- "That in accordance with Section 100A(4) Local Government Act 1972 the public be excluded from the meeting for the remaining agenda items as it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in paragraph 7, Part (1) Schedule (12A) Local Government Act 1972, namely: Paragraph 7; Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.	
13.		CYBER SECURITY UPDATE John Chorlton, Chief Technical Officer and Tony Oladejo, ICT Audit and Compliance Officer (Publica)	(Pages 119 - 128)
14.		DATE OF NEXT MEETING 21 April 2021	

Contact Officer: Saira Malin, Democracy Officer, 01242 264130
Email: democratic.services@cheltenham.gov.uk

Audit, Compliance and Governance Committee

Wednesday, 11th November, 2020

6.00 - 7.35 pm

Attendees	
Councillors:	Steve Harvey (Chair), David Willingham (Vice-Chair), Matt Babbage, Flo Clucas and Jo Stafford
Also in attendance:	Aditi Chandramouli (Grant Thornton), Lucy Cater (SWAP), Emma Cathcart (Counter Fraud Unit), Paul Jones (Director Finance & Assets), Darren Knight (Executive Director People & Change), Andrew Knott (Chief Accountant), Barrie Morris (Grant Thornton), Jaina Mistry (SWAP) and Ann Wolstencroft (Programme and Governance Manager)

Minutes

1. APOLOGIES

Councillors Oliver and Brownsteen had given their apologies.

The Chairman took the opportunity to confirm that Councillor Athrstone had stood down from the committee following her appointment as Cabinet Member and welcomed Councillor Clucas as her replacement.

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

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

4. PUBLIC AND MEMBER QUESTIONS

None were received.

5. ANNUAL REVIEW OF RISK MANAGEMENT POLICY

The Programme and Governance Manager introduced the annual review of the Risk Management Policy and explained that the policy had been amended to reflect some changes in the categories and the introduction of the Clearview risk management software. She further clarified that the track changes were included, as the committee had made this request the previous year.

The Programme and Governance Manager, along with the Executive Director People & Change, gave the following responses to member questions:

- The instance of red text on a red background (Page 31) was simply a consequence of track changes and when the final version was published, the text would be black on red.
- 2.12 would be amended to include reference to the descriptions of the eight options for control of risk, as outlined at 7.3.
- The option 'Enhance the risk' in fact referred to enhancing the opportunity posed by the risk and more clarity could be given on this.
- Should a risk materialise, it would no longer be considered a risk but would in fact become an issue to be resolved.
- Each risk would be allocated a review date, based on the proximity of that individual risk, whether that be a week, month or year. The level of seniority in terms of risk monitoring would depend on the risk score.
- In light of the current pandemic, it would seem sensible to include this as an external risk in future versions of this policy.

A member welcomed the increase to 8 from 4 options for dealing with risk, which as well as providing more options for how we dealt with risk, was also in his opinion, a more sophisticated approach.

Upon a vote it was unanimously

RESOLVED that the revised Risk Management Policy for 2020/21 be approved.

6. CLEARVIEW - LIVE DEMONSTRATION

The Executive Director People & Change explained that the move from Excel to Clearview was part of a wider review and development of the Council's Risk Improvement Plan; noting that both he and the Programme and Governance Manager had recently qualified and become registered Management of Risk (MOR) Practitioners. He also noted that the Counter Fraud Team had been asked to undertake a Risk Maturity Assessment in Q2 of next year, all of which he hoped demonstrated the organisations commitment to taking risk management forward.

The Programme and Governance Manager and Executive Director People & Change provided a live demonstration of the Clearview risk management software. Whilst there were a number of risks within the system, they'd chosen one to drill down into as part of this demonstration, and it as noted that the view being shared was that of the Executive Leadership Team (ELT) and the system had various levels of access permissions. Members were shown the level of detail that could be included and the controls that could be added as necessary. Risks were linked to specific goals and/or projects and the risk being demonstrated was marked as 'green' because of the controls that were in place, though if the controls or effectiveness of those controls became an issue, this would change to amber or red. Risks were reviewed regularly by Managers across the organisation, with ELT monitoring and managing the Corporate Risk Register; and the Clearview system was far more dynamic than the previous excel spreadsheets.

The Programme and Governance Manager and Executive Director People & Change gave the following responses to member questions:

- It was possible to produce short reports, which were better laid out for purposes of summarising the information within the system, but the preference would be to use the system 'live' in meetings, in order that members could consider up to the minute data.
- Members would be given access to the system, though this would be restricted to 'read only'.
- It was early days in terms of the number of Officers using the system. ELT were really pleased with it and though she was sure Officers would find it different, she was confident that they would grow to find it far more efficient and effective than the Excel spreadsheets they had used in the past.
- At present the system had no way of distinguishing between public and confidential risk and as such, confidential risks were being kept separately and updated manually. A request for this functionality had been raised with the developer and it was hoped that this would be addressed going forward.

Members thanked the Programme & Governance Manager and Executive Director People & Change for their demonstration of the system, which the committee agreed looked far more dynamic and user friendly than Excel.

No decision was required.

7. THE AUDIT FINDINGS FOR CHELTENHAM BOROUGH COUNCIL

Barrie Morris from Grant Thornton (GT) introduced the Audit Findings Report and noted the report was four months later than it would usually be coming to committee.

It went without saying that the council had worked hard, and done a fantastic job in his opinion, of supporting residents through the pandemic. A great many audit opinions were not yet ready and that GT were able to present their report this evening was thanks to the efforts of Paul Jones and his team. These were unprecedented times in terms of the work that had been required to get to the point at which they were close to being able to sign the audit opinion, particularly after the recent FRC report which was critical of local auditors, particularly around the property, plant and equipment valuations and pension liabilities and the estimation techniques used; and GT had increased their work in these areas, as Officers could attest.

He apologised for the circulation (earlier in the day) of some revised pages of the Audit Findings report, but had wanted to provide the committee with the very latest position. Firstly, on page 37 they had amended the list of outstanding items and were now only waiting for completion of the group audit procedures, which just related to CBH, though he had received the Hold Harmless letter earlier in the day and having reviewed this, had signed it. Also outstanding was the Pension Fund Auditor assurances and finally the review of the final set of financial statements which they could only review after them having been considered by the Audit Committee.

Covid had not only presented challenges in the production of the financial statements but in the financial statements themselves, with changes to liabilities in terms of pension liabilities and also the valuation of those assets. Another challenge was around Gloucestershire Airport and considerations about its going concern assessment. The Council were asked to undertake a piece of

work to give some assurances around the impact of this on the Council's position and though they had subsequently received the signed accounts from the auditors, he suggested that this was another great example of Paul Jones' pre-empting issues or concerns that were likely to be raised.

Aditi Chandramouli from GT then talked the committee through some of the key findings within the report. She referred members to page 7, which set out the work that had been done in relation to significant risks, which included Covid-19, management override of controls, the valuation of land and buildings and the net pension liability. There was also a material uncertainty with regards to the valuation of land and buildings, and property funds included within the pension fund assets. Page 11 of the report set out the findings arising from the group audit work. Their work on Gloucestershire Airport was materially complete and in terms of CBH, they were just waiting to review some of their working papers and then this would be complete also. GT had recently received a report which had been commissioned by the council on the impact of Gloucestershire Airport and GT had now factored this into their going concern assessment and having reviewed the work of the council on their long term financial planning and cash flow, GT were happy with the going concern basis of accounting being applied. This year, as part of their work in relation to providing a Value for Money (VfM) conclusion, GT had looked at the Medium Term Financial Strategy, as well as the council's reliance on income from investment properties. Members would be aware that a revised 2020/21 budget was being considered by Council on Monday (16 November) and this included savings around minimum revenue provision and flexible use of capital receipts. This was all factored into their VfM work and though there were some recommendations coming out of this, their opinion would be unqualified. Appendix A included the recommendations being made.

Barrie Morris wished to emphasise the work GT had done on VfM and the conclusions they had drawn based on the arrangements the council had in place, particularly in view of other Councils having issued 114 notices; which identified that technically, they didn't have sufficient funds. He felt that in view of these circumstances, it was really pleasing to see the financial resilience and sustainability that Cheltenham had in place. As mentioned, there were a number of adjustments that had been identified and he highlighted the independence issue that had been reported the committee previously, reminding members of the safeguards that were in place; which they had to do for ethical reasons. Finally, the fees were set out at Appendix D and although the final fee was yet to be confirmed, he reiterated that GT had undertaken significant additional work and as a consequence of this, there would be an additional fee.

Barrie and Aditi gave the following responses to member questions:

- There was a whole range of reasons as to why there were so many outstanding audit opinions nationally. However, it was a credit to the Officers at this council that work had progressed as it had over the last 4 weeks.
- RICS guidance stated that because of the timing of the pandemic, there was insufficient evidence to be able to decide on the impact of valuations. It was likely that some investment assets may have improved slightly, though there were clearly severe risks to some others

(shopping centres and hotels for example); but there was simply insufficient market evidence in terms of whether this posed a long term risk. Effectively what they were saying was, the council needed to draw a line as at the 31 March, when the accounts were produced.

- The revised budget represented a good piece of work which Aditi had found genuinely interesting to read.
- GT would ensure that any decision being taken by the council was fully supported by a legal view and checking that due diligence had been done; though the Director Finance & Assets often approached GT to discuss issues in advance. GT would then ensure that there was sufficient ongoing monitoring with the proper sensitivity analysis in place, including best and worst case scenarios.

The Chair and Vice-Chair commended the Director Finance & Assets and his Finance Team, for their hard work and wanted to draw out the VfM conclusion, which stated that the Council had proper work arrangement for securing economy, efficiency and effectiveness in its use of resources. They also congratulated Officers on the revised budget, which allowed the council to continue to provide high quality services, through innovative investment strategies.

No decision was required.

8. STATEMENT OF ACCOUNTS INCLUDING LETTER OF REPRESENTATION

The Chief Accountant reminded members that the council was required to prepare an annual Statement of Accounts, which were then made available for public inspection, before being audited by the council's external auditors, Grant Thornton. He explained that the main change to note was the contingent liabilities relating to estimation uncertainty around property/plant/equipment and pension valuations; which currently exist but had not materialised by the 31 March 2020.

There were no questions.

Upon a vote it was unanimously

RESOLVED that:

- a) The accounts for the year ended 31 March 2020, be approved**
- b) The Chair of the Audit, Compliance and Governance Committee be recommended to sign the Statement of Accounts and Letter of Representation**

9. INTERNAL AUDIT PLAN AND PROGRESS REPORT

The Assistant Director for the South West Audit Partnership (SWAP), introduced the Internal Audit Plan 2020/21 and Progress Report as circulated with the agenda. She explained that the Audit Plan, which would have ordinarily come to the March meeting, had been revised as a consequence of Covid-19 and the likelihood that a significant proportion of this work would need to be pushed back. The reference to agile working related not to working from home but rather where work would be undertaken by a team, rather than an individual.

Quarterly progress was summarised within the Report of Internal Audit Activity and included a summary of findings on audit and follow-up work that had been undertaken. She also noted that since publication, the Cyber Security audit had been completed.

She assured members that the team would continue to undertake follow-up of any previous audits to ensure that recommendations were being taken forward and issues addressed.

Asked whether elected members were consulted as part of the Planning Process and Complaints audit, the answer, given by Jaina Mistry (SWAP) was no, they had not. She explained that the audit was of a specific case and the objective of devising some lessons learned.

In terms of the Planning Application audit, the aim was to assess the effectiveness of the processes that were in place. Some of the committee felt that members should be asked to provide feedback on this issue and one member queried whether the authority were learning from comments it received from the Ombudsman and whether Officers were open to making any changes that were being suggested. These members were particularly interested in whether there were instances where applications were being accepted, which include errors or intentionally misleading information from applicants.

Upon a vote it was unanimously

RESOLVED that the Audit Plan 2020/21 be approved.

10. COUNTER FRAUD UPDATE AND FUTURE WORK PROVISION

The Counter Fraud Unit Manager introduced the Counter Fraud Unit (CFU) report, as circulated with the agenda. She explained that the purpose of the report was to provide the committee with assurances over the counter fraud activities of the council, explaining that this particular report captured an overview of 2019/20 and 2020/21 so far; given that the last bi-annual report was deferred due to Covid-19. Worth noting was the medium term enforcement proposal that had been developed by the CFU, enabling written statements under caution rather than in person interviews, allowing enforcement activity to continue and the case management system which had proven to be a great asset to the team, allowing them to move away from Excel spreadsheets. The report also included details of some of the fraud that had been identified during this period, including work undertaken on behalf of CBH. Finally, the Council was found to have a high level of compliance, following a RIPA inspection (which was completed remotely) and she was pleased to confirm that the three recommendations that were made were all in progress, and the Social Media Policy would be presented to this committee in due course, with appropriate training scheduled thereafter.

In response to a query from a member, the Counter Fraud Unit Manager explained that because many prosecutions were now joint prosecutions with the DWP, feedback was only provided on an ad-hoc basis; making it difficult be able to generate timely media releases. However, where possible the CFU did work with the Communications Team to create press releases.

Members congratulated the team on not only their performance in terms of the fraud being detected, but also on the outcome of the RIPA inspection.

Upon a vote it was unanimously

RESOLVED that having commented as necessary, the report be noted.

11. WORK PROGRAMME

The work plan had been circulated with the agenda.

A member asked whether, given that there were going to be Borough, County and Police and Crime Commissioner elections in May 2021, it would be appropriate for this committee to consider the planning for this even, given that three separate ballot papers would be being issued at one time. However, he also acknowledge that the Executive Director Finance & Assets, was the Returning Officer, and that this may therefore represent an unnecessary burden in terms of capacity, but queried whether members felt the committee should look at it. The Executive Director Finance & Assets explained that there could well be four ballots, if a Parish Council election went ahead as was being suggested, but assured members that each would have a different colour ballot paper and in turn, different ballot boxes. He went on to confirm that all verification of ballot boxes would be done at the same time, before focus moved onto the count and also advised that given the likely volume of ballots, this process would be done over two days. This was not added to the work plan.

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

There were no urgent items requiring a decision.

13. DATE OF NEXT MEETING

The next meeting was scheduled for the 20 January 2021.

Steve Harvey
Chairman

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Cheltenham Borough Council

Audit, Compliance and Governance Committee – 27 January 2021

Annual Governance Statement –Action Plan

Accountable member	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
Accountable officer	Executive Director of People and Change, Darren Knight
Executive summary	Update on significant issues action plan from AGS.
Recommendations	None update for information only.

Financial implications	No direct financial implications arising from the report Contact officer: Paul Jones, Executive Director Finance & Assets Email: Paul.Jones@cheltenham.gov.uk Tel: 01242 775154
Legal implications	None arising from the report. Contact officer: One Legal Email: legal.services@tewkesbury.gov.uk Tel: 01684 272012
HR implications (including learning and organisational development)	None arising from the report. Contact officer: Julie McCarthy, HR Manager – Operations & Service Centre Publica Group Ltd Email; julie.mccarthy@publicagroup.uk Tel: 01242 264355
Property implications	None
Key risks	If the issues raised in the action plan are not completed our governance framework may not be effective.
Corporate & community plan implications	None
Environmental and climate change implications	None

1. Background

In preparing this 2019/2020 statement and reviewing the effectiveness of the governance arrangements a number of areas were identified where the Council needed to focus attention and improve arrangements over the financial year. These areas of work were planned to strengthen the control framework.

2. Update on Progress

Action No 1	
Key Area of Focus	Clearview
Planned Actions	Focus on full implementation of Risk, Organisational Performance and Project Management modules
Lead Officer	Darren Knight
Update	Training in all modules, except reporting, has been completed and the Risk Management module has been populated and is being used by ELT. Organisational KPI's are being constructed by teams with a view to producing a first balanced scorecard in March. After initial population the content of the project management module is being refined. ELT are due to review current projects in February. It needs to be noted that we whilst we continue development of Clearview implementation continues to be slower than anticipated due to COVID19.

Action No 2	
Key Area of Focus	Procurement
Planned Actions	Ensure there is capacity to undertake all procurements required by CBC
Lead Officer	Gill Morris
Update	Verbal update at meeting.

Action No 3	
Key Area of Focus	Financial Rules Training
Planned Actions	Develop module for Learning Management System
Lead Officer	Ann Wolstencroft
Update	Still to be completed. Delayed due to the impact of COVID19.

Action No 4	
Key Area of Focus	Availability of Training Budgets
Planned Actions	Consolidate training budgets and ensure they are available to support training requirements
Lead Officer	Darren Knight / Paul Jones
Update	Training budgets will be consolidated for the financial year 2021/22.

Action No 5	
Key Area of Focus	The Cheltenham Trust manual financial processes as per audit recommendations.
Planned Actions	Processes to be reviewed
Lead Officer	Paul Jones
Update	Still to be completed. TCT have been focused on responding to the impact of Covid-19. This will be followed up during 2021/2022 via the Council's client management.

Action No 6	
Key Area of Focus	Impact of COVID19
Planned Actions	Recovery Strategy
Lead Officer	ELT / Darren Knight lead
Update	A recovery strategy has been written and signed off by council. The approach to recovery was subject to an independent review by the Local Government Association, who were very positive about the approach being undertaken. Recovery efforts will be co-ordinated via the Local Resilience Forum. Due to the unique challenge of Covid-19 response efforts may run alongside recovery work.

Report author	Contact officer: Ann Wolstencroft Email: ann.wolstencroft@cheltenham.gov.uk Tel: 01242 264158
Appendices	1. Risk Assessment

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 1-5	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the issues raised in the action plan are not completed our governance framework may not be effective.	Executive Director of People and Change	28/1/2021	4	2	8	Reduce	Continue to monitor completion of AGS action plan.	31/03/2021	Governance Manager	
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 1-5 (1 being unlikely and 5 being high probability) Control - Reduce											

The Audit Findings for Cheltenham Borough Council

Year ended 31 March 2020

20 November 2020



Contents



Your key Grant Thornton team members are:

Barrie Morris

Key Audit Partner

T: 0117 305 7708

E: Barrie.Morris@uk.gt.com

Aditi Chandramouli

Manager

T: 0117 305 7643

E: Aditi.Chandramouli@uk.gt.com

Jade Brockett

Assistant Manager

T: 0117 305 7819

E: Jade.Brockett@uk.gt.com

Section

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2. Financial statements
3. Value for money
4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit opinion

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cheltenham Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the group and Council, and measures have been put in place to respond to this, including increased home working for employees.</p> <p>The Council have been closely monitoring the Government response to coronavirus and have been making changes to the way services are delivered to protect frontline services. The Council has felt the impact of factors such as administration of grants to businesses, and has also had to contend with lost income from car parks. The Council has also prepared a Covid-19 Recovery Plan to respond to the lasting impacts of the pandemic.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an Audit Plan Addendum on 20 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to undertake the audit remotely. This has included use of video conferencing and sharing screens to remotely view financial systems. The main challenge was around verifying the completeness and accuracy of information produced by the entity. The Authority has engaged with us to ensure that our requirements have been met.</p>
Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the group and Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July-October 2020. Our findings are summarised on pages 7 to 10. We have identified three adjustments to the financial statements that have resulted in a £1.227m adjustment to the Group's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters set out on Page 5 of this report.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council. The financial statements we have audited represent the period to 31 March 2020 which was at the very beginning of the outbreak of the Covid-19 pandemic.</p> <p>Our anticipated audit report opinion will be unqualified, but includes an Emphasis of Matter paragraph, highlighting a material uncertainty with regards to the valuation of land and buildings, and valuation of the Council's share of property funds in the Gloucestershire Pension Fund, as reported in the financial statements. Our work in relation to the group accounts is currently ongoing, and at the time of writing this report, we have not reached a conclusion regarding the group opinion. We will provide a verbal update at the Audit, Compliance and Governance Committee.</p>

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cheltenham Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Cheltenham Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on pages 19 to 21.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code. The Group Instructions for the Whole of Government Accounts have not been released at the time of writing this report. We will be unable to certify the completion of the audit until we fulfil our responsibilities as set out in the Group Instruction.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during these unprecedented times. We have worked flexibly with your finance team to complete the audit in the most effective way. We were initially due to begin the audit at the end of June 2020, however due to delays experienced by the finance team, the audit was rearranged for the middle of July. At this stage, a complete draft set of accounts was not available, and we were able to re-schedule the audit to take place in early August 2020. The completed draft financial statements were received on the 31 July. Additionally, the majority of working papers requested were received in early August. We encountered some delays in receiving appropriate evidence to support some sample testing undertaken, however after additional discussions with the finance team, this was resolved and we were able to complete our testing. The quality of working papers received require improvement, and a recommendation has been raised in respect of this in Appendix A.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

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

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- an evaluation of the group's internal controls environment, including its IT systems and controls;
- an evaluation of the component/s of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures for Cheltenham Borough Homes Limited and Gloucestershire Airport were required, which were completed by Bishop Fleming LLP and Hazlewoods LLP respectively; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan, as communicated to you on 20 April 2020 to reflect our response to the Covid-19 pandemic.

Conclusion

We have completed our audit of your financial statements and we anticipate issuing an audit opinion following the Audit, Compliance and Governance Committee meeting on 11 November 2020. The audit opinion is anticipated to be unqualified in respect of the Council and Group. We will provide a verbal update at the Audit, Compliance and Governance Committee. No outstanding items are noted.

Materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1.595m	1.573m	<p>This equates to 2% of your 2019/20 gross expenditure for the year. This was determined as the appropriate benchmark for determining materiality. Our knowledge of the environment at Cheltenham Borough Council has led us to the conclusion that the risk of fraud is low, hence 2% is deemed an appropriate percentage to apply to the benchmark.</p> <p>This is consistent with that reported in our Audit Plan in March 2020.</p>
Performance materiality	1.196m	1.180m	<p>This equates to 75% of materiality.</p> <p>This is consistent with that reported in our Audit Plan in March 2020.</p>
Trivial matters	80k	79k	<p>ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. We have determined this to be 5% of materiality.</p> <p>This is consistent with that reported in our Audit Plan in March 2020.</p>
Materiality for senior officers' remuneration	12k	12k	<p>Senior Officers' Remuneration is a balance which require a lower materiality due to its sensitive nature.</p> <p>This is consistent with that reported in our Audit Plan in March 2020.</p>

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Covid- 19

We have performed the following work in relation to this risk:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach. No changes were made to materiality levels previously reported. The draft financial statements were provided on 31st July 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Group's property valuation expert, and material uncertainty in relation to pension fund property assets;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment;
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence; and
- engaged the use of auditor experts to assess investment property valuations due to the size of this balance and the risk associated with future income as a result of Covid-19.

Our audit work has not identified any issues in respect of the Covid-19 significant risk

The revenue cycle includes fraudulent transactions

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and Group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for the Council.

There have been no changes to our assessment as reported in our Audit Plan.

Significant audit risks

Risks identified in our Audit Plan Auditor commentary

Management override of controls

We have performed the following work in relation to this risk:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined 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 made by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

Valuation of land and buildings

We have performed the following work in relation to this risk:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; and
- as a result of the Covid-19 pandemic, management's expert reported the valuations on the basis of material valuation uncertainty. We reviewed the valuations in line with market trends, and challenged any valuations that were not in line with trends.

Our testing identified that investment properties worth £1.9m and surplus assets worth £3.75m were not formally valued in 2019-20. The Council has undertaken an exercise which demonstrates their consideration that the current value and fair value of these assets at 31 March 2020 are not materially different. We have reviewed these judgments and are satisfied that they are appropriate. We have raised a recommendation at Appendix A for the Council to formally revalue all their surplus assets and investment properties on an annual basis.

The Council has material investment properties worth £68m included within its Balance Sheet. Given the impact of Covid-19 on commercial investments, we have engaged an auditor's expert to review the valuations of investment properties. The auditor's expert highlighted some areas for follow up, which we reviewed as part of our testing. No issues were identified as part of this review.

Management's expert has disclosed a material uncertainty with regards to the valuations of land, buildings, dwellings, investment properties and surplus assets and we have undertaken additional work as a result of this, as set out above. This will result in the audit report including an emphasis of matter, highlighting this material uncertainty.

Apart from the matters highlighted above, no other issues have been identified in relation to the valuation of land and buildings.

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Valuation of the pension fund net liability

We have performed the following work in relation to this risk:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report

Gloucestershire Pension Fund has disclosed a material uncertainty with regards to the valuations of property funds included within the pension fund assets. A corresponding material uncertainty has been disclosed in the Council's financial statements as its share of these property funds is material.

In 2018-19, the Council commissioned a revised IAS19 report to evaluate the impact of the McCloud judgment. The impact in 2018-19 was £458k which was not material, hence remained unadjusted. The Council has accounted for this in 2019-20 as a past service cost, which is appropriate. As the actuary prepared a revised report in 2018-19 and used this as the basis for the 2019-20 calculations, there is a £458k variance between the opening balances used by the actuary and the Council. The closing balances as at 31 March 2020 reconcile exactly, hence this is a presentation difference, which is considered appropriate.

We are awaiting assurances from the auditor of Gloucestershire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund; and the fund assets valuation in the pension fund financial statements.

Apart from the matters highlighted above, no other issues have been identified in relation to the valuation of the pension fund net liability

Other audit risks

Risks identified in our Audit Plan

IFRS 16 implementation has been delayed by one year

Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.

Auditor commentary



The Council's financial statements identify that IFRS 16 is not anticipated to have a material effect on the financial statements or balances of the council since the changes mainly affect the recognition of leases by lessees and the Council does not have any material finance or operating lease liabilities as lessee.

We have reviewed the Council's assessment and undertaken audit procedures to gain assurance over the accuracy of this disclosure. We are satisfied that this disclosure is appropriate.





Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Cheltenham Borough Homes Ltd.	Bishop Fleming LLP	<ul style="list-style-type: none"> The audit opinion of Cheltenham Borough Homes was issued by Bishop Fleming LLP on 19 October 2020. At the date of this report, one adjustment to the group position of £1.227m was identified, which is reported in Appendix C. We have performed audit procedures over the consolidation adjustments within the Group accounts. No issues have been identified as a result of our audit procedures. 	Auditor view Our audit work has not identified any issues in respect of the specified procedures performed.
Gloucestershire Airport Ltd.	Hazlewoods LLP	<ul style="list-style-type: none"> The audit opinion of Gloucestershire Airport Ltd was issued by Hazlewoods LLP on 6 November 2020. We identified one unadjusted misstatement of £107k as a result of reviewing the consolidation adjustments, as highlighted in Appendix C. We understand that the auditors have requested management to prepare financial modelling forecasts and sensitivity analysis over the airports operations as a result of the Covid-19 pandemic and any impact this may have on the companies going concern assessment. We challenged management around the valuation of land and buildings held at fair value as deemed cost and obtained management's assessment that the carrying value of these properties is not materially different from the fair value at the balance sheet date 31 March 2020. We found the assessment to be appropriate 	Auditor view Our audit work has not identified any issues in respect of the specified procedures performed.
Publica Group (Support) Ltd	N/A - Analytical review performed by Grant Thornton UK LLP	<ul style="list-style-type: none"> We have completed analytical procedures over the draft accounts of Publica Group (Support) Ltd. No issues have been identified. 	Auditor view Our audit work has not identified any issues in respect of the specified procedures performed.
Ubico Ltd	N/A - Analytical review performed by Grant Thornton UK LLP	<ul style="list-style-type: none"> We have completed analytical procedures over the draft accounts of Ubico Ltd. No issues have been identified. 	Auditor view Our audit work has not identified any issues in respect of the specified procedures performed.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £1.48m	The Council are responsible for repaying a proportion of successful rateable value appeals. Cheltenham Borough Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. A provision of £1.48m has been estimated for Cheltenham Borough Council for 2019/20 (£1.628m in 2018/19)	<ul style="list-style-type: none"> From our review of the Provision for NNDR appeals, no issues were identified in regard to the valuation basis The Council have estimated that if the assumed success rate of appeals were to increase by 1%, then the Council's share of its appeals provision would increase by £70k. Additionally, the Council have estimated that a 1% increase in the estimated rateable vale would result in an additional provision of £534k Overall we consider management's process and key assumptions to be reasonable. The estimate is adequately disclosed in the financial statements. 	 Green
Land and Buildings – Council Housing - £213.28m	The Council owns £213.28m of dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. HRA dwellings are revalued every five years. In interim years the dwelling valuation is updated by reference to Existing Use Value for Social Housing. The Council has engaged Bruton Knowles to complete the valuation of these properties in 2019-20. The year end valuation of Council Housing was £213.28m, a net increase of £3.4m from 2018/19 (£209.87m).	<ul style="list-style-type: none"> From our review of management's processes and assumptions for the calculation of the estimate, no issues were identified in regard to the valuation basis. We evaluated the assumptions made by management in undertaking the valuation of Council dwellings by using comparable indices, and raised follow up queries where variances above our tolerable threshold were identified. These were appropriately addressed Whilst management's expert has not included a material uncertainty in relation to Council dwellings, we recommended to management that Council Dwellings are reported on the basis of material valuation uncertainty due to Covid-19, and a corresponding amendment has been made. Overall we consider management's process and key assumptions to be reasonable. The estimate is adequately disclosed in the financial statements. 	 Green

Assessment





-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £135.15m	<p>Other land and buildings comprises £135.15m of assets. The council formally re-values its land and buildings on a rolling programme to ensure they are revalued at least every five years, however in accordance with the Code all land and building values are reviewed annually for material changes and re-valued at 31st March if necessary. Valuations have been carried out both internally by the council's property section and externally. Valuations of land and buildings were carried out using the methodologies and bases of estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council holds a number of specialised assets which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 4.</p> <p>19.3% of Other Land and Buildings were revalued during 2019/20. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued by using knowledge of changes to build costs, obsolescence and condition of the property to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the property values. The total year end valuation of Other land and buildings was £135.15m, a net increase of £1.95m from 2018/19 (£133.2m).</p>	<ul style="list-style-type: none"> From our review of management's processes and assumptions for the calculation of the estimate, no issues were identified in regard to the valuation basis. We evaluated the assumptions made by management in undertaking the valuation of Land and Buildings by using comparable indices, and raised follow up queries where variances above our tolerable threshold were identified. These were appropriately addressed. Management's expert has reported a material uncertainty in relation to the valuation of land and buildings due to Covid-19, and the Council has included appropriate disclosures to reflect this in the statement of accounts. Overall we consider management's process and key assumptions to be reasonable. The estimate is adequately disclosed in the financial statements. 	

 **Greener**
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Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – £51.31m	<p>The Council's net pension liability at 31 March 2020 is £51.31 m (PY £58.23m) comprising the Local Government Pension Scheme. The Council uses the actuary firm Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>Gloucestershire Pension Fund have disclosed a material uncertainty in relation to their property funds in their financial statements. The Council has included disclosures on this issue in Note 4.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a remeasurement of the net defined benefit liability of £10.25m during 2019/20.</p>	<ul style="list-style-type: none"> From our review of management's processes and assumptions for the calculation of the estimate, no issues were identified in regard to the valuation basis. Overall we consider management's process and key assumptions to be reasonable. The estimate is adequately disclosed in the financial statements. We have undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. Gloucestershire Pension Fund have disclosed a material uncertainty in relation to their property funds in their financial statements. As the Council's share of the property assets is material, we recommended that the Council include a corresponding material uncertainty within their financial statements. The Council has included disclosures on this issue in Note 4. 	<table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>2.3%</td><td>2.3%</td><td>● Green</td></tr> <tr> <td>Pension increase rate</td><td>1.9%</td><td>1.8% to 2%</td><td>● Green</td></tr> <tr> <td>Salary growth</td><td>2.8%</td><td>2.7% to 2.9%</td><td>● Green</td></tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td><td>22.4 / 21.7</td><td>21.6 to 23.3 / 20.5 to 22.2</td><td>● Green</td></tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td><td>25.3 / 23.9</td><td>24.6 to 26.3 / 22.9 to 24.3</td><td>● Green</td></tr> </tbody> </table> <p>The estimate is adequately disclosed in the financial statements.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.3%	2.3%	● Green	Pension increase rate	1.9%	1.8% to 2%	● Green	Salary growth	2.8%	2.7% to 2.9%	● Green	Life expectancy – Males currently aged 45 / 65	22.4 / 21.7	21.6 to 23.3 / 20.5 to 22.2	● Green	Life expectancy – Females currently aged 45 / 65	25.3 / 23.9	24.6 to 26.3 / 22.9 to 24.3	● Green
Assumption	Actuary Value	PwC range	Assessment																								
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Assessment

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- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Level 2/3 investments	<p>The Council have an investment in Gloucestershire Airport Ltd that is valued on the balance sheet as at 31 March 2020 at £1.7m. The Council also have £68.07m of investment properties and £42.2m of surplus assets held on their Balance Sheet.</p> <p>Management have disclosed a material uncertainty in relation to both investments due to the impact of Covid-19. Further detail is provided in Note 4.</p> <p>The investment in the Airport is not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management have used a management's expert (Arlingclose) to calculate the fair value measurement of the investment. The value of the investment has stayed the same as the previous year.</p> <p>Management have used Bruton Knowles to undertake the valuation of their portfolio of investment properties. The valuer has disclosed the valuations on the basis of material valuation uncertainty. The total year end valuation of Investment Properties was £68.07m, a net decrease of £7.92m from 2018/19 (£75.99m).</p> <p>Management have used internal valuers to undertake the valuation of their portfolio of surplus assets. The valuer has disclosed the valuations on the basis of material valuation uncertainty. The total year end valuation of Surplus Assets was £42.2m, a net increase of £37m from 2018/19 (£5.2m). The large increase is due to additions purchased in 2019/20</p>	<ul style="list-style-type: none"> From our review of management's processes and assumptions for the calculation of the estimate, no issues were identified in regard to the valuation basis. We challenged the valuation of the investment in Gloucestershire Airport Ltd due to the impact of Covid-19, and obtained relevant information to support the valuation. As the valuation is only greater than our materiality by £200k, the risk of material misstatement is low. We evaluated the assumptions made by management in undertaking the valuation of investment properties by using comparable indices, and raised follow up queries where variances above our tolerable threshold were identified. These were appropriately addressed. Management's expert has reported a material uncertainty in relation to the valuation of investment properties and surplus assets due to Covid-19, and the Council has included appropriate disclosures to reflect this in the statement of accounts. We identified that investment properties worth £1.9m and surplus assets worth £3.75m were not formally valued in 2019-20. The Council has undertaken an exercise which demonstrates their consideration that the current value and fair value of these assets at 31 March 2020 are not materially different. We have reviewed these judgments and are satisfied that they are appropriate. We have raised a recommendation at Appendix A for the Council to formally revalue all their surplus assets and investment properties on an annual basis. Overall we consider management's process and key assumptions to be reasonable. The estimate is adequately disclosed in the financial statements. 	

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Greener

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Significant findings – going concern

Our responsibility

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

Going concern commentary

Management's assessment process

- Management have prepared a paper which contains a review of the financial position as at 31 March 2020 alongside an assessment of the ability of the Council to continue operating for the foreseeable future.
- Management have also prepared a cash flow forecast from April 2020 to November 2021, which shows that the cashflows over this period are sustainable.
- Management have considered the impact of Covid-19 on the Council's ability to continue as a going concern, and have factored this into their medium term financial planning.
- In making their assessment, management have considered the Council's reserves, liquidity, capital expenditure as well as assumptions about income and expenditure over the next few years.
- Management have commissioned a piece of work to consider the impact of Gloucestershire Airport Ltd.'s going concern on the Council.

Auditor commentary

- Management's assessment of the use of the going concern basis of accounting is appropriate
- The cashflow projections and medium term financial planning projections are based on prudent assumptions about future income
- The disclosures in the accounts are considered appropriate
- We have reviewed the work commissioned by the Council in arriving at a conclusion regarding the impact of Gloucestershire Airport's going concern assessment on the Council.

Work performed

- We have reviewed management's assessment and cashflow projections in arriving at the conclusion that the Council is a going concern, and reviewed the disclosures in the narrative report and financial statements.
- We have also reviewed the Medium Term Financial Plan to 2023/24, and the 2020-21 Budget and are satisfied that the Going Concern basis is appropriate for the 2019-20 financial statements

- We have not identified a material uncertainty in relation to management's assessment of the use of the going concern basis of accounting
- We consider this to be appropriate

Concluding comments

Overall we are satisfied with management adopting the going concern basis of accounting, and we have reviewed the report commissioned by the Council in relation to the impact of Gloucestershire Airport Ltd.'s going concern in reaching our final conclusion.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Compliance and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit, Compliance and Governance Committee paper
Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests for the Council's bank and investment balances. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation. We requested permission from management to send confirmation requests to the pension fund auditor. This permission was granted and the requests were sent. We have not yet received the final response from the pension fund auditor but are liaising regularly with them whilst they complete their work. We will require this assurance prior to issuing our opinion. We requested permission from management to send requests to the Council's valuers. This permission was granted and the requests were sent. We received responses from all valuers involved and we have completed our audit procedures in relation to these requests.
Disclosures	Our review identified a number of disclosure changes within the draft financial statements which were subsequently amended. See page 28 for further details.
Audit evidence and explanations/significant difficulties	The completed draft financial statements were received on the 31 July 2020. Additionally, the majority of working papers requested were received by early August. We encountered some delays in receiving appropriate evidence to support some sample testing undertaken, however after additional discussions with the finance team, this was resolved and we were able to complete our testing. The quality of working papers received require improvement, and a recommendation has been raised in respect of this in Appendix A.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Some minor disclosure amendments were identified which have been amended. No inconsistencies have been identified, and we plan to issue an unmodified report in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit; and • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. However, this work is not required at Cheltenham Borough Council as the Council does not exceed the threshold of £500m for assets (excluding PPE); liabilities (excluding Pension); income or expenditure.</p>
Certification of the closure of the audit	<p>The Group Instructions for the Whole of Government Accounts have not been released at the time of writing this report. We will be unable to certify the completion of the audit until we fulfil our responsibilities as set out in the Group Instruction.</p>

Value for Money

Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:

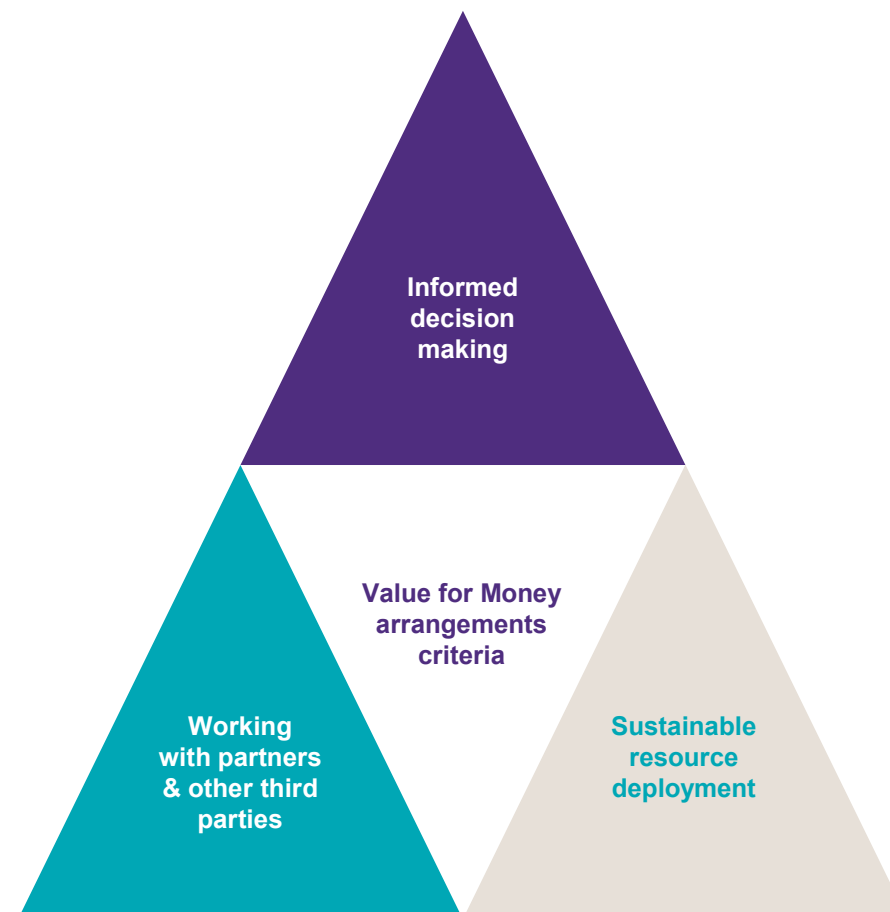
Risk assessment

We carried out an initial risk assessment in February 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2020

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

We have not identified any new VfM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the date of the pandemic. We have, however reviewed the medium term financial plan produced by the Council, taking into account the impacts of Covid-19 on scenario planning, and the impact of Covid-19 on the Council's investment income.

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



Value for Money

Our work

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

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

- Medium Term Financial Planning and the need to identify further savings in the medium term to balance the budget; and
- Future plans to bridge the budget gap, considering the impact of Covid-19 on medium term finances.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 22 and 23

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

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

Medium Term Financial Strategy

We reported in our audit plan in March 2020 that 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 reflect a funding gap for the period 2021/22 to 2023/24 of £2.616m. It also indicates that the Council proposes to fund a gap of £1.084m with £0.826m of savings plans and additional income, with the residual gap to be funded from the Budget Strategy (Support) Reserve during 2020/21, and also includes a number of unidentified savings over the period to 2023/24.

- 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. The 2019/20 outturn was a deficit of £48k against the profiled budget which represents a negative variance of 0.3% against the net budget. The budget monitoring report to the end of December 2019 projected the expected delivery of services within budget. The recorded additional expenditure in respect of COVID-19 in 2019/20 was £72,798. The total amount received from Central Government in 2019/20 was £50,043. The non-collection fund losses from income were circa £400k, with the largest contributor to that figure being lost income from car parking which has been met via a contribution from the car parking equalisation earmarked reserve. Despite this, the overspend on the general fund was £48k, which is largely due to a number of reported savings which were the result of delays or slippage in carrying out particular tasks which are still necessary and will need to be completed in the 2020/21 financial year. The 2019-20 Capital Outturn shows a significant underspend of £4.6m, which is caused in large part due to timing delays on capital projects which will be carried forward into 2020-21.
- 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 2020/21 have been identified and can be attributed to specific plans, such as the Modernisation programme and Car Parking Strategy. The savings plans of £826k are after £258k reliance on reserves.
- Due to the impact of Covid-19, £250k of the £350k amber rated savings included in the 2020-21 savings strategy have not been achieved. The s151 Officer plans to take a Covid-19 Revised Budget to Full Council in November 2020 setting out changes to the 2020-21 budget. This includes a change to the minimum revenue provision policy (MRP), which involves the use of capital receipts to pay off borrowing, thereby reducing the capital financing requirement, and correspondingly, the MRP. The savings attributable to this scheme in 2020-21 are £1.657m. The s151 officer has also created a policy around the use of capital flexibility, which will impact the 2021-22 savings plan and budget.
- 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 2019/20 to deliver financial balance. The Council plan to use £258k of the Budget Strategy (Support) Reserve in 2020/21. The level of reserves is sufficient to support the budget for 2020/21 but beyond this it will have to be replenished.

Value for Money

Significant risk *continued*

Findings *continued*

Medium Term Financial Strategy

We reported in our audit plan in March 2020 that 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 reflect a funding gap for the period 2021/22 to 2023/24 of £2.616m. It also indicates that the Council proposes to fund a gap of £1.084m with £0.826m of savings plans and additional income, with the residual gap to be funded from the Budget Strategy (Support) Reserve during 2020/21, and also includes a number of unidentified savings over the period to 2023/24.

- We therefore note this as a recommendation within this Audit Findings Report as the reserve will require replenishment by 2021/22 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.
- The Council formally adopted a Commercial Strategy in February 2018. The strategy identified that part of the Council's drive towards financial sustainability would now include identifying new opportunities to generate income and investment in projects which provide good financial returns. As communicated in our Audit Plan in March 2020, we have considered whether the commercial investments entered into are in line with the strategy. Furthermore, as a result of Covid-19, we have also considered the feasibility of reliance upon investment income in the medium term.
- The Council has an Estates Team responsible for monitoring each of the investment properties owned by the Council. The s151 Officer, and Cabinet Finance Member have monthly meetings with the Estates team in order to get an update on the properties, any new tenants, and any issues with existing tenants. These are then taken forward as appropriate. The s151 Officer also receives monthly aged debt reports, where any non-payment of rents would be identified. We are satisfied that the governance arrangements around investment properties are appropriate, and in line with the commercial strategy.
- Of the Council's existing investment properties, none have been particularly adversely impacted by Covid-19. The largest occupier is Sainsbury's. Other offices and shops have not defaulted on their rental agreements, and the majority are locked into agreements until 20 and beyond, with rent reviews due on properties within the next year.
- Overall, the income to the end of March 2021 is secure, however there are some tenancies expiring during the 2021-22 financial year, which may not be renewed if home working becomes more common. The Council will have to continue to closely monitor their investment opportunities to identify additional savings in this case. We have raised a recommendation in Appendix A for the Council to consider this alongside the recommendation around use of reserves in the medium term.

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.

We have made two recommendations in relation to the Council's use of reserves and reliance on investment income at Appendix A.

Independence and ethics

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

In this context, we disclose the following to you that a member of our wider public sector assurance team took up a post within Publica Group (Support) Ltd in May 2020 as Deputy Chief Financial Officer to Cotswold District Council, with further responsibilities as Chief Accountant in Publica Group (Support) Ltd. This individual did not work on this audit engagement so we consider that this fact has had no bearing on our audit judgement or independence. We have safeguarded the perceived threat to independence by ensuring the member of staff was not involved with the audit, with assurance received from the Chief Financial Officer (Section 151 Officer) that once working at Publica, the individual will not:

- have access to view or amend the Cheltenham Borough Council general ledger
- instruct staff on any transactions which affect the Cheltenham Borough Council accounts.
- prepare or have any input into the Financial Statements for Cheltenham Borough Council
- have line management responsibility for any members of staff who are based in Cheltenham

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Councils Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics



Audit and 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 following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Capital receipts grant	£3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,500 in comparison to the total fee for the audit of £49,543 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	19,906	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,906 in comparison to the total fee for the audit of £49,543 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Action plan

We have identified 4 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.




Assessment	Issue and risk	Recommendations
 Medium	<p>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 2019/20 to deliver financial balance. The Council plan to use £258k of the Budget Strategy (Support) Reserve in 2020/21. The level of reserves is sufficient to support the budget for 2020/21 but beyond this it will have to be replenished.</p>	<p>We raise this as a recommendation 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 medium term dependency on reserves is reduced.</p> <p>Management response</p> <p>The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Covid-19 Revised Budget 2020/21 which will be presented to Full Council on 16th November 2020, recommends a number of measures that will enable the Council to increase its reserves over the coming years. Management will continue to monitor the level of reserves and will report those findings, with appropriate recommendations, to Council at least twice a year.</p>
 Medium	<p>The Council's net budget includes income from investment properties. Income from investment properties to the end of March 2021 is secure, however there are some tenancies expiring during the 2021-22 financial year which may not be renewed if home working becomes more common. The Council will have to continue to closely monitor their investment opportunities to identify additional savings in this case.</p>	<p>We raise this as a recommendation as the Covid-19 pandemic has changed ways of working, and this may impact on future income levels from investment properties if leases are not renewed.</p> <p>Management response</p> <p>Agreed. Proactive marketing with potential tenants will continue ahead of any tenancy expiries, and be reported to the CFO and Cabinet Member on a monthly basis.</p>

Key

-  High
-  Medium
-  Low

Action plan

We have identified 4 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Medium	We identified that investment properties worth £1.9m and surplus assets worth £3.75m were not formally valued in 2019-20. The Council has undertaken an exercise which demonstrates their consideration that the carrying value and fair value of these assets at 31 March 2020 are not materially different.	<p>Whilst the Council's approach is in line with the CIPFA Code as they have demonstrated their consideration that the carrying value and fair value are not material different. We recommend that the Council formally revalue all their investment properties and surplus assets annually to reduce the risk of material misstatement</p> <p>Management response</p> <p>Agreed</p>
 Medium	Our testing identified sample evidence and working papers which were not to the required standard. Examples include the sample evidence in relation to income and expenditure and working papers in relation to property, plant and equipment reconciliations.	<p>We recommend that the Council make improvements to the quality of the working paper provided, and provide training to employees around audit evidence to be provided. As external audit, we are willing to provide guidance in this area if this will be useful.</p> <p>Management response</p> <p>The Council is in the process of directly employing a Head of Finance (Deputy S151 Officer) to lead on the production of annual accounts. They will be required to ensure the financial services team is adequately resourced and trained to comply with the requirements of the External Auditor. The S151 Officer will gratefully accept the offer to provide guidance in this area when the new Head of Finance is in post.</p>
 Low	The Council's componentisation policy has not been updated since 2011. This policy was based on 1% of Other Land and Buildings being £872k, however based on the latest balances, 1% would be £1.421m	<p>We recommend that the Council review and update this policy in 2020-21</p> <p>Management response</p> <p>Agreed</p>

Follow up of prior year recommendations

We identified the following issues in the audit of Cheltenham Borough Council's 2018/19 financial statements, which resulted in recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations and note that these have been appropriately resolved.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We recommend that management continue to monitor the use of reserves when budget setting to ensure that the medium-term dependency on reserves is reduced	This has been raised as a recommendation in the Action Plan at Appendix A, hence the prior year recommendation can be closed
✓	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	Based on management response provided in 2018-19 and review of arrangements as part of our VFM risk assessment, this recommendation is considered closed.
✓	The Council currently has a balanced budget to 2021/22, however the achievement of the balanced budget is dependent on a number of red-rated savings from 2019/20.	We are aware from our review of the medium term financial strategy that red rated savings are reviewed during budget setting. No red rating savings identified for 2020-21
✓	A formal lease is not in place between Ubico and Cheltenham Borough Council for arrangements to lease recycling and refuse vehicles from the Council to Ubico.	A formal lease between Ubico and Cheltenham Borough Council for arrangements to lease recycling and refuse vehicles from the Council to Ubico is now in place and was formally agreed during 2019/20. This has been requested and reviewed as part of the 2019/20 statement of accounts audit.

Assessment

- ✓ Action completed
- X Not yet addressed

Appendix C

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Misclassification noted between Revenue Grants Received in Advance and Creditors. Creditors overstated and Grants Received in Advance (GRIA) Understated.	£0	Dr Creditors - £2,660 Cr GRIA - £2,660	£0
The disabled facility grant was misclassified within Other Comprehensive Income but should have been classified within Net Cost of Services in the Place and Growth Directorate	Dr Taxation and Non-Specific Grant Income - £410k Cr Place and Growth income - £410k	£0	£0
Within the group financial statements, the Property, Plant and Equipment balance is overstated by £1,227k, with a corresponding understatement of Net Cost of Services – Local Authority Housing	Dr Local Authority Housing Expenditure - £1,227k	Cr Property, Plant and Equipment - £1,227k	£1, k
Overall impact	£1,227	(£1,227)	£1,227

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit, Compliance and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Group Comprehensive Income and Expenditure Statement £'000	Group Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
The Group Consolidation was completed using the draft Accounts of Cheltenham Borough Homes and Gloucestershire Airport Ltd. Non-trivial adjustments were identified between the draft financial statements and audited financial statements of Gloucestershire Airport Ltd.				
Reduction in Long term Investment in Joint Ventures and Airport Profit and Loss Account	0	-107	0	Adjustments have not been made on the basis of materiality
Share of Taxation of Gloucestershire Airport	107	0	107	Adjustments have not been made on the basis of materiality
Overall impact	£107	-£107	£107	

Audit adjustments

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Audit fees	Audit fees did not include £4k fees for the use of an auditor's expert. Pooling of housing capital receipts were included as £2,150, correct fees are £3,500. CFO Insights fee was included even though subscription had lapsed and no payment had been made	Disclosure adjustment identified should be adjusted in the final version of the Statement of Accounts.	✓
Grants	There was a £410k reconciliation difference between Note 16 and Note 18 to the accounts due to the disabled facility grant error identified in audit adjustments.	Disclosure adjustment identified should be adjusted in the final version of the Statement of Accounts.	✓
Pensions	The table in Note 34 omitted payments in advance of £3,662k, and unfunded benefits of £98k	Disclosure adjustment identified should be adjusted in the final version of the Statement of Accounts.	✓
Leases	The operating lease for Regent's Arcade has been miscalculated with the rental value being calculated for 5 years as opposed to 4 years. Result is an overstatement of future minimum lease payments by £575k.	Disclosure adjustment identified should be adjusted in the final version of the Statement of Accounts.	✓
Material uncertainty	The Council had not included a material uncertainty in relation to the valuation of land and buildings, dwellings, investments measured at fair value, and pension fund property assets. We recommended that additional disclosures be included in relation to these material uncertainties arising as a result of Covid-19	Disclosure adjustment identified should be adjusted in the final version of the Statement of Accounts.	✓
Financial instruments	Income, expenses, gains and losses within the Financial Instruments note did not tie back to Note 9 – Financing and Investment Income and Expenditure	Disclosure adjustment identified should be adjusted in the final version of the Statement of Accounts.	✓
Related party transactions	A number of variances between the statement of accounts and transaction listings were noted in relation to the related parties disclosure. We recommend that the related parties note be updated accordingly	Disclosure adjustment identified should be adjusted in the final version of the Statement of Accounts.	✓
General	There were a number of other minor presentational adjustments and improvements made to enhance the quality of the statement of accounts	Disclosure adjustment identified should be adjusted in the final version of the Statement of Accounts.	✓

Audit adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
As reported in our prior period ISA 260 report, the impact of the McCloud Judgement was not amended in the Council's 2018-19 accounts, as management's view was this was not considered material. The Council has therefore included the unadjusted amounts from the prior period as non-material adjustments in the current period. These transactions mean that the following differences have been identified between the accounts and the 2019-20 actuary report. We are satisfied that management has followed the appropriate accounting treatment and complied with the CIPFA code in relation to this prior period misstatement.				
Past Service Cost	-458			
Return on plan assets	-594			
Present value of obligation		-458		
Fair value of plan Assets		-594		
	-1,052	-1,052	-1,052	This has been adjusted in the 2019-20 financial statements, as it was not material in 2018-19
Overall impact	-1,052	-1,052	-1,052	

Appendix D

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£45,543	£49,543*
Total audit fees (excluding VAT)	£45,543	£49,543*

* The final fee for the year is subject to a final review and discussion with the s151 Officer to take account of the impact of Covid-19 and the additional time required to complete the audit.

The increase from the scale fee has been communicated to members of the Audit, Compliance and Governance Committee at the January Committee meeting. The Proposed Fee has been approved by PSAA. The additional £4,000 relates to the use of an auditor's expert to review the investment property valuations, as communicated at the Audit, Compliance and Governance Committee in July 2020. This is subject to PSAA approval.

The fees reconcile to the financial statements.

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing Capital receipts grant (Audit related)	£3,500	TBC
Certification of Housing Benefits Claim (Audit related)	£19,906	TBC
Total non- audit fees (excluding VAT)	£23,406	TBC

Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Independent auditor's report to the members of Cheltenham Borough Council Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cheltenham Borough Council (the 'Authority') and its subsidiary and joint venture (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the notes to the accounts, the Collection Fund - Income and Expenditure Account, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Movement in Reserves Statement, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Section 151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We have applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, an audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Audit opinion

We anticipate we will provide the Group with an unmodified audit report

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings, property investments and property funds held within the Pension Fund

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings, investment property and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in Note 4 to the financial statements, the Covid-19 pandemic and lockdown arrangements in place since March 2020 have had a significant impact on daily life and the global and UK economies. This could affect the carrying values of assets carried at existing use and fair value in significantly challenging the assumptions used in their valuation. Consequently the valuations undertaken in 2019/20 have been reported 'as subject to material valuation uncertainty'. In addition, the valuation of Gloucestershire Pension fund's property assets is subject to material valuation uncertainty due to the Covid-19 pandemic. This means that less certainty can be attached to these valuations than would otherwise be the case. A corresponding material uncertainty is disclosed in the Council's financial statement as the Council's share of property funds is material. Our opinion is not modified in respect of this matter.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, and the Annual Governance Statement other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16 the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.

In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit, Compliance and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Cheltenham Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Barrie Morris

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Bristol

20 November 2020



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The Annual Audit Letter for Cheltenham Borough Council

Year ended 31 March 2020

04 December 2020



Contents



**Your key Grant Thornton
team members are:**

Barrie Morris

Key Audit Partner

T: 0117 305 7708

E: Barrie.Morris@uk.gt.com

Aditi Chandramouli

Manager

T: 0117 305 7643

E: Aditi.Chandramouli@uk.gt.com

Jade Brockett

Assistant Manager

T: 0117 305 7819

E: Jade.Brockett@uk.gt.com

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Cheltenham Borough Council (the Council) and its subsidiary and joint venture (the group) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit, Compliance and Governance Committee as those charged with governance in our Audit Findings Report on 11 November 2020.

Respective responsibilities

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

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

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

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1.595m for the Group (£1.573m for the Council), which are 2% of the Group and Council's gross cost of services.
Financial Statements opinion	<p>We gave an unqualified opinion on the group's financial statements on 20 November 2020.</p> <p>We included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings, investment properties, council dwellings, surplus assets and the property assets of its pension fund given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.</p>
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 20 November 2020.
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 20 November 2020.

Executive Summary

Working with the Council

We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during these unprecedented times. We have worked flexibly with your finance team to complete the audit in the most effective way. We were initially due to begin the audit at the end of June 2020, however due to delays experienced by the finance team, the audit was rearranged for the middle of July. At this stage, a complete draft set of accounts was not available, and we were able to re-schedule the audit to take place in early August 2020. The completed draft financial statements were received on the 31 July. Additionally, the majority of working papers requested were received in early August. We encountered some delays in receiving appropriate evidence to support some sample testing undertaken, however after additional discussions with the finance team, this was resolved and we were able to complete our testing. The quality of working papers received require improvement, and a recommendation has been raised in respect of this.

Audit of the Financial Statements

Our audit approach

Materiality

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

We determined materiality for the audit of the group financial statements to be £1.595m, which is 2% of the group's gross cost of services. We determined materiality for the audit of the Council's financial statements to be £1.573m, which is 2% of the Council's gross cost of services. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration of £12k due to its sensitive nature,

We set a lower threshold of £79k, above which we reported errors to the Audit, Compliance and Governance Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

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

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

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

Audit of the 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>Covid-19</p> <p>We identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have performed the following work in relation to this risk:</p> <ul style="list-style-type: none"> • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach. No changes were made to materiality levels previously reported. The draft financial statements were provided on 31st July 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Group's property valuation expert, and material uncertainty in relation to pension fund property assets; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence; and • engaged the use of auditor experts to assess investment property valuations due to the size of this balance and the risk associated with future income as a result of Covid-19. 	<p>Our audit work has not identified any issues in respect of the Covid-19 significant risk</p>

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities	We have performed the following work in relation to this risk: <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined 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 made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	Our audit work has not identified any issues in respect of management override of controls.
The revenue cycle includes fraudulent transactions (rebutted)	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and Group, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for the Council.	N/A, this risk has been rebutted

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>We identified valuation of land and buildings, including investment properties and surplus assets, as a significant risk as the valuation represents a significant estimate by management</p>	<p>We have performed the following work in relation to 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 work; evaluated the competence, capabilities and objectivity of the valuation expert; written to the valuer to confirm the basis on which the valuations were carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; and as a result of the Covid-19 pandemic, management's expert reported the valuations on the basis of material valuation uncertainty. We reviewed the valuations in line with market trends, and challenged any valuations that were not in line with trends. 	<ul style="list-style-type: none"> Our testing identified that investment properties worth £1.9m and surplus assets worth £3.75m were not formally valued in 2019-20. The Council has undertaken an exercise which demonstrates their consideration that the current value and fair value of these assets at 31 March 2020 are not materially different. We have reviewed these judgments and are satisfied that they are appropriate. We have raised a recommendation for the Council to formally revalue all their surplus assets and investment properties on an annual basis. The Council has material investment properties worth £68m included within its Balance Sheet. Given the impact of Covid-19 on commercial investments, we have engaged an auditor's expert to review the valuations of investment properties. The auditor's expert highlighted some areas for follow up, which we reviewed as part of our testing. No issues were identified as part of this review. Management's expert has disclosed a material uncertainty with regards to the valuations of land, buildings, dwellings, investment properties and surplus assets and we have undertaken additional work as a result of this, as set out above. This will result in the audit report including an emphasis of matter, highlighting this material uncertainty.

Audit of the Financial Statements

Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of the net pension fund liability</p> <p>We identified valuation of the Council's pension fund net liability as a significant risk, due to the sensitivity of the estimate to changes in key assumptions.</p>	<p>We have performed the following work in relation to this risk:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report 	<ul style="list-style-type: none"> • Gloucestershire Pension Fund has disclosed a material uncertainty with regards to the valuations of property funds included within the pension assets. A corresponding material uncertainty has been disclosed in the Council's financial statements as its share of these property funds is material. • In 2018-19, the Council commissioned a revised IAS19 report to evaluate the impact of the McClelland judgment. The impact in 2018-19 was £458k which was not material, hence remained unadjusted. The Council has accounted for this in 2019-20 as a past service cost, which is appropriate. As the actuary prepared a revised report in 2018-19 and used this as the basis for the 2019-20 calculations, there is a £458k variance between the opening balances used by the actuary and the Council. The closing balances as at 31 March 2020 reconcile exactly, hence this is a presentation difference, which is considered appropriate.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 20 November 2020.

Preparation of the financial statements

The completed draft financial statements were received on the 31 July. Additionally, the majority of working papers requested were received in early August. We encountered some delays in receiving appropriate evidence to support some sample testing undertaken, however after additional discussions with the finance team, this was resolved and we were able to complete our testing. The quality of working papers received require improvement, this has resulted in additional fees, as highlighted in Appendix A. Additionally, the nature of the new remote access working arrangements, i.e. remote accessing financial systems, video calling, and verifying the completeness and accuracy of information produced by the Council, resulted in additional time to complete the audit and, consequently, the cost of delivering the final audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit, Compliance and Governance Committee on 20 November 2020.

In addition to the key audit risks reported above, we identified the following adjustments and recommendations throughout our audit that we have asked the Council's management to address for the next financial year.

- We recommend that the Council make improvements to the quality of the working papers provided, and provide training to employees around audit evidence to be provided
- We recommend that the Council review and update their componentisation policy in 2020-21
- An unadjusted misstatement of £107k was identified in relation to the consolidated group financial statements

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the draft Statement of Accounts in November 2020

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 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 **make 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.

We have not exercised any of our additional statutory powers or duties.

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 20 November 2020.

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 April 2020 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 November 2020, we agreed the following recommendations to address our findings:

- that management continue to monitor the use of reserves when budget setting to ensure that medium term dependency on reserves is reduced; and
- the Council should continue to closely monitor their investment opportunities to identify additional savings.

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 2020.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
<p>Medium Term Financial Strategy</p> <p>We reported in our audit plan in March 2020 that 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 reflect a funding gap for the period 2021/22 to 2023/24 of £2.616m. It also indicates that the Council proposes to fund a gap of £1.084m with £0.826m of savings plans and additional income, with the residual gap to be funded from the Budget Strategy (Support) Reserve during 2020/21, and also includes a number of unidentified savings over the period to 2023/24.</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. The 2019/20 outturn was a deficit of £48k against the profiled budget which represents a negative variance of 0.3% against the net budget. The budget monitoring report to the end of December 2019 projected the expected delivery of services within budget. The recorded additional expenditure in respect of COVID-19 in 2019/20 was £72,798. The total amount received from Central Government in 2019/20 was £50,043. The non-collection fund losses from income were circa £400k, with the largest contributor to that figure being lost income from car parking which has been met via a contribution from the car parking equalisation earmarked reserve. Despite this, the overspend on the general fund was £48k, which is largely due to a number of reported savings not being achieved due to delays or slippage in carrying out particular tasks which will need to be completed in the 2020/21 financial year. The 2019-20 Capital Outturn shows a significant underspend of £4.6m, which is caused in large part due to timing delays on capital projects which will be carried forward into 2020-21. 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 2020/21 have been identified and can be attributed to specific plans, such as the Modernisation programme and Car Parking Strategy. The savings plans of £826k are after £258k reliance on reserves. Due to the impact of Covid-19, £250k of the £350k amber rated savings included in the 2020-21 savings strategy have not been achieved. The s151 Officer plans to take a Covid-19 Revised Budget to Full Council in November 2020 setting out changes to the 2020-21 budget. This includes a change to the minimum revenue provision policy (MRP), which involves the use of capital receipts to pay off borrowing, thereby reducing the capital financing requirement, and correspondingly, the MRP. The savings attributable to this scheme in 2020-21 are £1.657m. The s151 officer has also created a policy around the use of capital flexibility, which will impact the 2021-22 savings plan and budget. 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 2019/20 to deliver financial balance. The Council plan to use £258k of the Budget Strategy (Support) Reserve in 2020/21. The level of reserves is sufficient to support the budget for 2020/21 but beyond this it will have to be replenished.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
<p>Medium Term Financial Strategy</p> <p>We reported in our audit plan in March 2020 that 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 reflect a funding gap for the period 2021/22 to 2023/24 of £2.616m. It also indicates that the Council proposes to fund a gap of £1.084m with £0.826m of savings plans and additional income, with the residual gap to be funded from the Budget Strategy (Support) Reserve during 2020/21, and also includes a number of unidentified savings over the period to 2023/24.</p>	<ul style="list-style-type: none"> • We raised a recommendation as the reserve will require replenishment by 2021/22 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. • The Council formally adopted a Commercial Strategy in February 2018. The strategy identified that part of the Council's drive towards financial sustainability would now include identifying new opportunities to generate income and investment in projects which provide good financial returns. As communicated in our Audit Plan in March 2020, we have considered whether the commercial investments entered into are in line with the strategy. Furthermore, as a result of Covid-19, we have also considered the feasibility of reliance upon investment income in the medium term. • The Council has an Estates Team responsible for monitoring each of the investment properties owned by the Council. The s151 Officer, and Cabinet Finance Member have monthly meetings with the Estates team in order to get an update on the properties, any new tenants, and any issues with existing tenants. These are then taken forward as appropriate. The s151 Officer also receives monthly aged debt reports, where any non-payment of rents would be identified. We are satisfied that the governance arrangements around investment properties are appropriate, and in line with the commercial strategy. • Of the Council's existing investment properties, none have been particularly adversely impacted by Covid-19. The largest occupier is Sainsbury's. Other offices and shops have not defaulted on their rental agreements, and the majority are locked into agreements until 2023 and beyond, with rent reviews due on properties within the next year. • Overall, the income to the end of March 2021 is secure, however there are some tenancies expiring during the 2021-22 financial year, which may not be renewed if home working becomes more common. The Council will have to continue to closely monitor their investment opportunities to identify additional savings in this case. We have raised a recommendation in Appendix A for the Council to consider this alongside the recommendation around use of reserves in the medium term. <p>We concluded that the risk was sufficiently mitigated and the Council has proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities.</p> <p>We have made two recommendations in relation to the Council's use of reserves and reliance on investment income.</p>

A. Reports issued and fees

Audit fees	Proposed fee
Council scale fee	38,043
Additional proposed audit fee at planning stage	7,500
Total proposed audit fees (excluding VAT) at planning	£45,543
Further additional fees proposed at completion	15,386
Total proposed audit fees (excluding VAT) on completion	£60,929

Reports issued

Report	Dated issued
Audit Plan	11 March 2020
Audit Findings Report	02 November 2020 (Updated 11 November 2020)
Annual Audit Letter	04 December 2020

We confirm above our final fees charged for the audit and final reports issued.

The Cheltenham Borough Council Audit Plan presented in March 2020 included £7,500 of proposed addition fees to the scale fee to take account of the additional scepticism required on the audit and the raising of the bar by our regulator in relation to our work on pensions and PPE. This is reflected in the total proposed audit fees at planning above.

Since the presentation of the audit plan, we have added a significant risk to the audit following the impact of Covid-19. We have now reflected on the time taken to discharge our responsibilities this year and are proposing a further increase in fees of £15,386 in addition to those proposed at the planning stage of the audit. This brings the total proposed audit fee up to £60,929. This includes £4,000 in relation to the use of an auditor's expert around the valuations of investment property. Further details on the breakdown is provided on the next page.

This further charge has not been entered into lightly but reflects only a proportion of the significant additional work we have had to undertake this year to discharge our responsibilities.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by four months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

We have discussed and agreed these additional fees with the Executive Director Finance and Assets. Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Appendix A – Cheltenham Borough Council audit fee variations – Further analysis

Final proposed audit fees

The table below shows the proposed variations to the original scale fee for 2019/20 subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	£38,043	
Increased challenge and depth of work	2,500	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation (IAS) 19	1,750	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE - valuations	1,750	The FRC has highlighted that auditors need to improve the quality of audit challenge on Property, Plant and Equipment (PPE) valuations across the sector. We will therefore increase the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations
New standards and developments	1,500	You are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we responded to the introduction of IFRS16.
Revised planning fee	£45,543	
Engaging an auditors' expert	4,000	Due to the Council's significant investment portfolio and the additional risks introduced by Covid-19 on the valuation of those assets, we were required to engage an independent external valuer as an auditors' expert to gain assurance that the values reported by the Council were appropriate.
Covid-19 and client delays	11,386	Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes: <ul style="list-style-type: none"> Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties. Management's assumptions and estimates - there is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260. Remote working – the most significant impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts, quality of working papers, and delays in responses. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.
Total proposed final audit fees	£60,929	

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Certification of Housing Capital receipts grant	£5,000
Certification of Housing Benefits Claim	£19,906

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. 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 group's auditor and have ensured that appropriate safeguards are put in place.

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



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Audit Progress Report and Sector Update

Cheltenham Borough Council
Year ending 31 March 2021

January 2021



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Introduction



Barrie Morris

Engagement Lead

T 0117 305 7708
E barrie.morris@uk.gt.com



Aditi Chandramouli

Engagement Manager

T 0117 305 7643
E Aditi.chandramouli@uk.gt.com

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

The paper also includes:

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

Members of the Audit, Compliance and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk

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

Progress at January 2021

Financial Statements Audit

We issued an unqualified audit opinion on the Council and the Group's financial statements on 19th November 2020.

We included an emphasis of matter within our audit opinion which referred to the disclosures that management had made regarding the material uncertainties for the valuations of property, plant and equipment and pension fund pooled property funds. Our audit opinion was not modified as a result of this emphasis.

Value for Money opinion

We issued an unqualified value for money opinion for the year ended 31 March 2020 on 19th November 2020.

Certification of the Audit

We issued the certificate of the closure of the accounts on the 19th of November 2020

Other areas

Certification of claims and returns

Housing Benefits Subsidy Claim - The deadline for the certification of the housing benefit subsidy claim is 31 January 2021. Our testing work is currently in progress and we will report the findings arising from the certification work at the next Audit, Compliance and Governance Committee

Pooling of Housing Capital Receipts Claim – The deadline for the certification of the pooling of housing capital receipts claim is 29 January 2021. Our testing work is currently in progress and we will report the findings arising from the certification work at the next Audit, Compliance and Governance Committee

2020/21

We have started to consider the audit of the 2020/21 financial year and our associated planning processes.

Our formal work will begin later in the year, in the meantime we will:

- have regular discussions with management to inform our risk assessment for the 2020/21 financial and value for money audits
- review Council and Cabinet minutes and latest financial and operational performance reports

We expect to issue our audit plan summarising our approach to key risks on the audit in April 2021.

The interim audit will cover an understanding of processes and controls, a walkthrough of significant risk areas, and a review of IT general controls. We will probably undertake all of substantive testing at the post statements visit in the summer.

We will report any findings from the interim audit to you in our progress report at the April Audit, Compliance and Governance Committee.

Meetings

We meet with Finance Officers and Chief Executive of the Council on a regular basis. We last met with the s151 Officer in January 2021.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit, Compliance and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2020-21 financial statements and a Conclusion on the Council's Value for Money arrangements.	April 2021	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2021	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the September Audit, Compliance and Governance Committee. (The timetable for the submission of audited accounts for 2020/21 has still to be confirmed).	September 2021	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	September 2021	Not yet due
Auditor's annual report The auditor's annual report brings together all of the auditor's work over the year. A core element of this report will be our commentary on your value for money arrangements.	September 2021	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	October 2021	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

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

Public Sector

Local
government

Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June 2020 the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

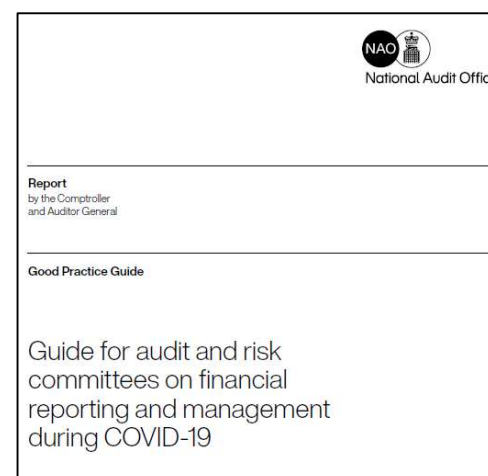
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September 2020.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psaa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>

Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

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Cheltenham Borough Council

Audit, Compliance and Governance Committee – 27 January 2021

Internal Audit Progress 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, Compliance and Governance 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 the Audit, Compliance and Governance Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Progress Report, however, is designed to give the Audit, Compliance and Governance 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, Compliance and Governance Committee considers the progress 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: One Legal legal.services@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 CBC and SWAP to ensure that any HR related recommendations from audits are actioned.</p> <p>Contact officer: Corry Ravenscroft, HR Business Partner Corry.Ravenscroft@publicagroup.uk</p>
Key risks	That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.

Corporate and community plan Implications	<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."</i> (Chartered Institute of Internal Auditing UK and Ireland).</p> <p>Therefore, the internal audit activity impacts on corporate and community plans.</p>
Environmental and climate change implications	Relevant to particular audit assignments and will be identified within individual reports.
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 Paul.Jones@cheltenham.gov.uk, 01242 264365</p>

1. Background

- 1.1 Due to Covid-19 the Annual Internal Audit Plan for 2020/21 was revised and approved by this Committee on 11th November 2020. 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 In order to satisfy the requirements of the Public Sector Internal Audit Standards (PSIAS) and to reflect changes within the Council, SWAP needs to focus upon areas where the organisation now requires assurance. This reinforces the requirement for Internal Audit to follow a more flexible and risk-based plan.
- 1.3 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.

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	<p>Lucy Cater, Assistant Director, SWAP Internal Audit Services</p> <p>lucy.cater@swapaudit.co.uk</p> <p>01285 623340</p>
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Appendices	1. Internal Audit Progress Report
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Cheltenham Borough Council

Report of Internal Audit Activity

January 2021

Contents

The contacts at SWAP in connection with this report are:

David Hill

Chief Executive

Tel: 01935 848540

david.hill@swapaudit.co.uk

Lucy Cater

Assistant Director

Tel: 01285 623340

lucy.cater@swapaudit.co.uk

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Appendix E – Summary of Agreed Actions

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

- No
- Limited
- Reasonable
- Substantial



Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

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 Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
2019/20 Audits in Draft / In Progress at Annual Opinion									
Key Financial Control	Accounts Receivable		Final Report	Reasonable	4		1	3	Reported in November
Follow-Up	Procurement		Final Report	N/A	-				Reported in November
Follow-Up	Procurement and Contract Management		Final Report	N/A	-				Reported in November
Advisory	Planning Process and Complaints Procedure		Final Report	Advisory	2		2		Reported in November
ICT	Business Continuity		Draft Report						
ICT	Incident Management		Final Report	Reasonable	4		2	2	See Appendix C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
2020/21 Audit Plan									
Operational	Business Grant Funding		Complete	N/A	-				Support to the Council in respect of Data Input
Operational	Vulnerable and Shielding Residents		Complete	N/A	-				Data analysis conducted on support given by the Council to registered residents during the pandemic
Operational	Managers Assurance Statement		Complete	N/A	-				Co-ordination of Managers Assurance Statements
Advisory	CFU Policies		Complete	N/A	-				Reviewing policies held by CFU and advising of changes to legislation
Operational	Continuous Assurance Reports		On-Going						Accounts Payable, Accounts Receivable, Payroll
Key Financial Control	Revenues and Benefits								
	• Council Tax and National Non-Domestic Rates		Draft Report						
	• Housing and Council Tax Benefits		Draft Report						
Key Financial Control	Core Financials								
	• Accounts Payable		In Progress						
	• Accounts Receivable								
	• Main Accounting		In Progress						

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
	• Payroll		In Progress						
	• Treasury Management and Bank Reconciliation		Final Report	Substantial	1			1	See Appendix C
Key Financial Control	Systems Administration		In Progress						
Key Financial Control	Human Resources								
Key Financial Control	Other Support Service provided by Publica • Health and Safety (Of Staff)		Position Statement	N/A					See Appendix C
ICT	Cyber Security		Final Report	N/A	5			5	See Appendix C
ICT	Use of Anti-Malware Software		ToE Drafted						
ICT	Automatic Back-Up of System Data								
Governance	Risk Management								
Governance	Performance Management								
Governance	Governance of Programmes and Projects								
Governance	Governance Arrangements for Cyber Cheltenham		In Progress						
Operational	Asset Management and Commercial / Investment Property		Final Report	Substantial	2		1	1	See Appendix C
Operational	Planning Applications		In Progress						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
Operational	Planning Enforcement		In Progress						
Operational	Post Payment Assurance – Small Business Grants								
Operational	Authority's Response to Covid-19								
Operational	Publica Transformation Benefits Realisation								
Operational	The Delivery of Services by Publica								
Operational	Inclusivity and Diversity								
Operational	Training Courses		Draft Position Statement						
Operational	Publica Support Costs Recharge Process & Internal Control Process for Contract Variations (NEW)		ToE Agreed						
Follow-Up	Follow-Ups of Recommendations made in Substantial and Reasonable Audits		On Going						
Follow-Up	Follow-Up of Control Weaknesses identified by the Counter Fraud Unit								
Follow-Up	Procurement								Further Follow-Up required


Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
Follow-Up	Procurement and Contract Management								Further Follow-Up required
Grant Certification	Disabled Facilities Grants		Complete	N/A					
Grant Certification	Income Compensation Scheme (NEW)								
Other Audit Involvement	Working with the Counter Fraud Unit		On Going						
Other Audit Involvement	Management of the IA Function and Client Support		On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks								






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

ICT Incident Management – Final Report – December 2020

Audit Objective

The objective of the audit is to ensure that technical solutions are managed and deployed to protect data and systems from malicious attack.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	<p>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>	Priority 1	0	<p>Operation of the network or information systems is disrupted. Information and data are intercepted and disclosed or stolen.</p>	<p>Medium</p>
		Priority 2	2		
		Priority 3	2		
		Total	4		

Key Findings	Audit Scope
 <p>As part of the Information Security framework of policies, the Incident Management Policy is out of date and requires review, update, and approval. Update of the policies has been impacted by the Covid-19 pandemic, and the need for a review is recognised by the ICT Audit & Compliance Manager.</p>	<p>The audit scope was a review and assessment of the policies, plans and processes in place and used together with technology used to detect, prevent, and respond to security incidents or events.</p> <p>The review also covered the following areas;</p> <ul style="list-style-type: none"> Threat detection and protection Vulnerability assessment and remediation <p>The review was undertaken by interviewing key personnel including the Cyber Security Engineer and the ICT Audit and Compliance Manager, together with the review of documentation and evidence provided.</p>
 <p>There is a lack of detailed standard operating procedural documentation. Incident management investigation is currently based on a high-level process flow-chart denoted in the Incident Management policy; however, this lacks detailed information on how to conduct an incident investigation.</p>	
 <p>At the initial stages of the audit there was a limited Incident Response plan. It is best practice to develop risk-based scenarios within response plans and regularly test them to prepare for an incident. A detailed plan noting scenarios and action plans is being developed and good progress has been made.</p>	
 <p>Weekly vulnerability scans are performed, and prioritised vulnerabilities where remedial action is to be taken are actioned using the helpdesk ticketing system. A similar process could be used to track all vulnerabilities detected in the weekly scans as is used for the annual penetration test findings.</p>	
 <p>Appropriate technology is in place and used to enable the Cyber Security Engineer and wider ICT team to detect, mitigate and respond to security incidents. The Cyber Security Engineer practices continual education and development to keep abreast of current technology, threats, and risks.</p>	

Next Steps

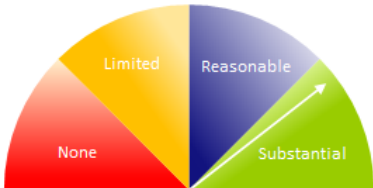
It is widely recognised that for any organisation, a significant security incident or breach is a matter of 'when', not 'if'. Organisations are increasingly reliant on IT services, therefore, it is critical that an organisation is prepared, as much as possible, for a significant incident that will disrupt ICT service provision.

Actions have been agreed with management, with a detailed action plan attached as Appendix 1, to improve incident management preparedness. All actions are due to be implemented by April 2021 or are ongoing exercises. A summary of the key findings from our review will be presented to the Audit Committees and Publica Board.




Asset Management – Final Report – December 2020

Audit Objective

The objective of the audit is to ensure the Council's activities for its property and land assets are co-ordinated to realise value (maximise income or release capital) whilst supporting its strategic objectives.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Priority	Number	Not all commercial rents, leases and service charges are identified and collected.	Medium
		Priority 1	0	Asset Management Plan (AMP) and core strategies are not aligned in order to achieve Council priorities.	Low
		Priority 2	1	Assets are not reviewed to ensure optimum viability and usage.	Low
		Priority 3	1		
		Total		2	

Key Findings

	Reconciliation between the Uniform system and the Council's finance system is not completed as required by Financial Rules. If reconciliation is not completed regularly there is a risk that inaccuracies are not identified and corrected.
	Testing of leases identified discrepancies with key information recorded within the Uniform system.
	The Asset Management Plan demonstrates strong links with the Medium-Term Financial Strategy and core CBC strategies. The rolling program of review and valuation ensures assets are revalued at least once every 5 years. The COVID-19 response included a Risk and Opportunity Asset Review.

Audit Scope

Areas reviewed during the period April 2019 – September 2020 are as follows:

- Asset management strategy.
- Capital programme.
- Strategic review of assets.
- Review and valuation process.
- Income process.

Observations and Next Steps

Observation: The Head of Property and Asset Management advised that the AMP is currently being reviewed and updated to ensure it continues to reflect the Councils corporate strategies and priorities whilst also supporting alignment with their COVID-19 Recovery Budget.

Next Steps: Two actions have been agreed with management, with a detailed action plan attached as Appendix 1. All actions are due to be implemented by 31st May 2021. A summary of the key findings from our review will be presented to the Audit, Compliance and Governance Committee.

Health & Safety of Staff – Position Statement – December 2020

Audit Objective

To review and assess Health and Safety arrangements in place for staff, relating to hazardous materials and accompanying Personal Protective Equipment.

Executive Summary and conclusion

A Health & Safety of Staff review was included in the 2020/21 Annual Internal Audit Plan. The focus of the audit was planned to be on site visits and use of Personal Protection Equipment (PPE) in relation to hazardous substances. Initial meetings were held with the Health and Safety Business Partner (H&S BP) for Cheltenham Borough Council to discuss the scope of the audit.

The initial focus of the audit was set prior to COVID-19, where it would have been possible to carry out testing with officers and service areas in person, allowing us to review and provide assurance on practical control arrangements in place which would be most appropriate based on the audit focus. Following initial meetings with H&S BP, we have agreed that due to the remote working arrangements currently in place, it would provide limited value in carrying out the audit at this time.

Based on discussions with the H&S BP, we have no immediate concerns in this area. We have also agreed with the H&S BP that internal audit will accompany them in a sample of their planned future Health and Safety audits relating to the Control of Substances Hazardous to Health (COSHH) and PPE to provide oversight.

We have issued this Position Statement which provides information on where the service is at this current time.

- The Cheltenham Borough Council audit schedule is on rolling 3-year basis, and the H&S BP aims to recommence audits in January 2021.
- H&S reviews were carried out in 2019, with a focus on high-risk areas. The H&S BP has advised that she is confident that all arrangements in place are satisfactory and has not raised any concerns.
- CBC has a Health and Safety Working Group.
- Risk Assessments across the Council have been reviewed and updated in response to COVID-19. Oversight of these has been provided at CBC by the H&S BP and the Health and Safety Working Group.

Cyber Security Follow Up Report - October 2020

Audit Objective

To follow up on the 2018/19 recommendations and consider areas for further review in 2020/21.

Executive Summary and conclusion

During 2018/19 a Cyber Security audit was undertaken by SWAP's ICT audit team for Publica and the Partner Councils. The audit was based on a framework of 20 Key Cyber Security controls which covered 32 areas ranging from policy to technology. The audit was a 'high level' audit and testing was undertaken between April and July 2019 to determine whether:

- The control was fully compliant
- Management needed to take action
- Further audit testing (in an area) was to be planned

Due to the ever-changing nature of ICT, we included a subsequent review in the revised 2020/21 Internal Audit Plan. Supported by Publica's ICT Audit and Compliance Manager, we have followed-up the recommendations made in the 2018/19 audit and planned the audits which were identified as warranting a more in-depth audit.

Fully Compliant Areas

The original audit confirmed that the following areas were compliant, therefore no recommendations were made, and no further audit was required:

Control	Area
Inventory of Software Assets (Including Data Assets)	Data Asset Inventory
Control of Accounts with Administrative Privileges	Management of Default passwords for high privileged accounts
Active Monitoring and Analysis of Audit Logs	Audit Logging and Retention Policy
E-mail and Web Browser protections	Use of Network Based URL Filters / Blocking of Uncategorised Websites
Control of Network Ports, Protocols and Services	Documentation and authorisation routines for ports, Protocols and Services
Secure Configuration of Network Devices	Build standards and management process for network devices
Boundary Defences are documented and understood	Management of connections across trusted network boundaries
Programme of Penetration testing	Conducting and following up on penetration testing

Recommendations Made

Thirteen recommendations were made in the 2018/19 audit. This review has found that:

- Seven recommendations have been actioned
- One recommendation is an on-going piece of work and will remain live
- The progress on four recommendations has been affected by Covid-19. The implementation date for these recommendations was June / September 2020. We have agreed with the ICT Audit and Compliance Manager to defer the implementation dates to allow for the recommendation to be actioned. We will follow these up when the target date has been met.
- A recommendation that was made in respect of Asset Lifecycle Management will be planned to be included in the 2021/22 Audit Plan within the Technology Asset Inventory Audit.

Further Audit

An outcome of the audit undertaken in 2018/19 was to enable us to plan the ICT audits going forward, there are areas that we have reviewed at a high level but warrant further audit testing to gain full assurance over the management of risk. IA and the ICT Audit and Compliance Manager have assessed these areas based on the level of risk to Publica and the partner Councils.

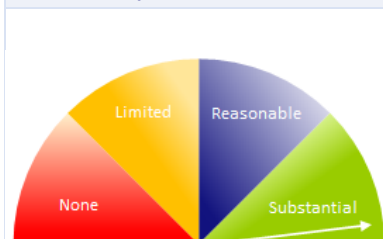
Full details of our audit testing/ working papers are available upon request. Our audit assurance framework and definitions can be found here (www.swapaudit.co.uk/aboutus)

Treasury Management and Bank Reconciliation – Final Report – January 2021

Audit Objective

To ensure that the key controls within Treasury Management and Bank Reconciliations are operating effectively.

Assurance Opinion



A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	1
Total	1

Risks Reviewed

1. Inadequate treasury management arrangements in place, resulting in financial loss.
2. If bank reconciliations are not regularly carried out, there is a risk of inaccurate financial reporting, loss of income and fraud.
3. If previous recommendations made are not implemented, the organisation may be open to unnecessary risk exposure

Assessment

Low

Low

Low

Key Findings



One Priority 3 recommendation is still outstanding from the 2018/19 Treasury Management and Bank Reconciliations audit. The Business Partner Accountant has committed to completing the agreed action by the end of January 2021.



A new cashflow monitoring spreadsheet has been implemented at WODC which is updated monthly by the Senior Technical Accountant and provides an easy to view summary for the Chief Finance Officer. This is also planned to be replicated for the other Councils.



Bank reconciliations sampled were found to be accurate and signed off by an appropriately senior and independent officer.

Audit Scope

A high-level review will be completed in the following areas:

- Follow up on last year's recommendations
- Treasury Management reporting process
- Cashflow forecasting

Discussions were held with the Publica Business Partner Accountant and the Senior Accounting Technician. Evidence to support discussions was requested where appropriate.

Bank statements and the bank reconciliations from October 2020 were reviewed for all Councils and Publica.

Next Steps

One action has been agreed with management, attached as Appendix 1. All actions are due to be implemented by the 31st of January 2021. We will follow up to assess progress towards the agreed priority 3 action in due course. A summary of the key findings from our review will be presented to the Audit Committees and Publica Board.

Unrestricted

Full details of our audit testing are available upon request. Our audit assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions)

Unrestricted

High Priority Findings and Agreed Actions

APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Asset Management 44678	2	Reconciliation between the Uniform system and the Council's finance system is not completed as per the Financial Rules.	Work with finance to implement a process whereby income recorded in Uniform is reconciled with the Business World system in accordance with the financial rules.	May 2021	
ICT Incident Management 44560	2	As part of the Information Security framework of policies, the Incident Management Policy is out of date and requires review, update, and approval. Update of the policies has been impacted by the Covid-19 pandemic, and the need for a review is recognised by the ICT Audit & Compliance Manager.	ICT Audit and Compliance Manager will review and update all ICT Security Policies following the completion of the Cyber Security audit report. The aim to have drafted policies by April 2021 for circulation to all network users.	April 2021	
ICT Incident Management 44562	2	There is a lack of detailed standard operating procedural documentation. Incident management investigation is currently based on a high-level process flow-chart denoted in the Incident Management policy; however, this lacks detailed information on how to conduct an incident investigation.	We have now commenced with documenting our cyber incident and investigation managements procedures	On Going	
Planning Process and Complaints 42323	2	The 2009 Customer Relations Framework must be removed from the website and replaced with the new policy and procedure as soon as possible. This guidance must be cascaded to all staff urgently, so that a consistent and robust process is implemented.	The new Policy and Procedure will be taken to Cabinet for approval in January 2021 and the website will be updated as soon as possible thereafter.	Feb 2021	

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Payroll 43699	2	We recommend that all new starters are subject to a BPSS (or similar) check regardless of the role to which they are being recruited. This will ensure that consistent checks of right to work, employment history and basic criminal record checks are carried out on all employees.	A piece of work has been carried out to re-write the pre-employment check process. The HR and Recruitment Teams are also working towards the implementation of an Application Tracking System (ATS), subject to approval at Publica and the Councils, which would help to mitigate the risks identified. The ATS would not allow for progression in the recruitment and onboarding process without specific criteria being fulfilled first (e.g. obtaining references, ID checks etc).	Sep 2020	Will be followed-up during the annual audit
Procurement and Contract Management 42974	2	Assurance is sought from Publica that the Procurement and Contract Management Strategy is reviewed and updated to ensure it meets the needs of Publica and the partner Councils.	Agreed	Sep 2020	Implementation date changed to 31st December 2020 to reflect amended target implementation date of majority of Procurement/Procurement & Contract Management recommendations to be actioned by Publica Procurement.
Safer Recruitment 41384	2	We recommend that HR policies relating to DBS issues and recruitment of ex-offenders are reviewed to ensure they are still relevant and are updated in line with current procedure and legislation.	These policies will be reviewed to assess whether they are still relevant and necessary, and updates made accordingly.	Aug 2020	Will be followed-up during the annual audit

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Accounts Receivable 43752	2	Duplicate subscriptions should be reviewed, and appropriate corrections made. Any duplicate payments should be returned to the debtor.	All subscriptions will be corrected where applicable. Will discuss with team to ensure that prior to setting up new subscriptions a search for existing subscriptions is performed. If any queries arise the AR officer will refer to the service area for clarification. Responsible Officer – AR Team Leader	Aug 2020	Will be followed-up during the annual audit
Integrity of Data 41689	2	We recommend that CBC consider onboarding to the Business World Self-Service functionality for sickness reporting. This will enable line managers to enter sickness periods immediately, or as soon as practically possible, and also provides Payroll with up to date absence information. This would then reduce potential delays encountered due to manual forms being requested, delivered and sometimes chased by Payroll. It would also reduce any risk of mistakes being made with the additional manual input of sickness data.	This project has commenced and will be completed early next year.	Jun 2020	This work was temporarily parked due to the pandemic. It has been picked up again now. Further follow-up required

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Integrity of Data 41980	2	We recommend that precise work instructions to complete MI reports are documented so that personnel responsible for producing MI reports, are able to gather and report on the information in a consistent and accurate manner, especially as the process is only undertaken once every three months. We also recommend that, peer review is completed on management information to verify its accuracy.	Work has commenced to gather, store and utilise MI data centrally. The work is being overseen by the Contract Manager.	Mar 2020	Follow-up delayed due to Covid-19.
Integrity of Data 41849	2	<p>As stated by Publica HR, we recommend that a project be initiated to review and bring up to date CBC employee's personal data. HR Processes should also ensure that required data is captured and recorded accurately.</p> <p>CBC should work with the HR service to determine the information they require to be collected as part of the refresh project and ongoing collection.</p> <p>Availability of Self-Service functionality to empower employees to view and update their own personal information should be investigated.</p> <p>Personal data collection and use should be completed in line with the Data Protection legislation, including the deletion of records that are no longer necessary.</p>	<p>We will commence work to update the emergency contact data for CBC employees by end of Feb 2020.</p> <p>We have shared the data that we could collect with CBC and we are investigating with ICT how we can develop self-service so that employees can view and update their personal information – we will provide a plan on how this could be undertaken this by 31st March 2020</p>	Mar 2020	<p>This work was temporarily parked due to the pandemic. It has been picked up again now.</p> <p>Further follow-up required</p>

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Human Resources (Use of Volunteers) 42368	2	We recommend that all volunteers that have signed historic version of the application form are asked to sign their consent to the current data protection arrangements and retention period. The current Volunteer Privacy Statement should also be brought to the attention of all volunteers who have not previously been made aware of it.	To strive to ensure that volunteers with historic consent forms are signed up to the 5-year data protection arrangements and retention period.	Mar 2020	<p>The Participation and Engagement Team Leader advised the following: "Volunteers with 18 month consent have been deleted as their consent has expired. For those on a 5 year, but different version form, we are holding off contacting them to renew paper work until a volunteer role is available to advertise. Our thoughts are that people are more likely to fill out the new form if there is a role they wish to do. If we send the forms out cold now, but have no role to offer them I think we will have a much lower take up and risk more people not getting back to us or being asked to be taken off the records."</p> <p>Recommendation actioned and closed</p>

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Human Resources (Use of Volunteers) 42379	2	We recommend that a copy of a constituted group's Safeguarding Policy is received and reviewed by CBC officers before the group is allowed to participate in voluntary work on behalf of the Council.	Participation and Engagement Team leaders to review Safeguarding policy process with CBC Partnership Team Leader to agree on appropriate approach.	Mar 2020	<p>The Participation and Engagement Team Leader advised that group applications would be put on hold until advice was sought from the Safeguarding Board/CBC Safeguarding Officer</p> <p>She also advised that she processes the applications so the process hasn't been documented but does see value in this being documented. Suggested wording to be included in the staff guidance document?</p> <p>1.To direct any members of the public who have made direct contact with you to complete the volunteering application form to register as a CBC volunteer. If a group would like to volunteer, please direct them to complete the group application form. This form goes to the Participation and Engagement Team Leader to assess their suitability. As part of the application process groups are asked to sign the form to state that they have an accurate and up to date safeguarding policy in place. If this is not present or deemed insufficient, the application will be put on hold until they have received guidance from the safeguarding board or CBC officer.</p> <p>Recommendation actioned and closed</p>
Property Use of Contractors 42872	2	We recommend that the Property Services team, return any invoice that does not contain detailed information on the works completed, including materials and labour costs and ensure only sufficiently detailed invoices are approved for payment.	We have contacted the contractors and requested that a breakdown of invoices are provided in all cases. All staff have been instructed to return invoice if they are not adequately broken down.	Mar 2020	<p>At the end of April 20, the service manager reported to senior management as follows:</p> <p>Contractors have been asked for more information on their invoices or back up documentation, where possible this is now being stored on uniform still needs developing more.</p> <p>Revised implementation date to 31/12/20 due to Covid-19</p>

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Property Use of Contractors 42062	2	<p>We recommend</p> <p>i. that the frequency of budget monitoring and reconciliation between the Council's financial system and the Uniform system is undertaken in accordance with the Financial Rules so that any issues related to budgets and expenditure are identified at an early stage. Regular management information reporting should be implemented to ensure transparency of the situation.</p> <p>ii. Consideration should be given to investigating whether the Uniform and Business World systems can be linked to aid budget monitoring processes.</p>	<p>Publica Finance has now appointed an accountant to liaise with and we will reconcile the Uniform and Agresso figures quarterly. Reviews are set up to feed into the financial reporting cycle.</p> <p>A brainstorming session has been set up to review the way Uniform and Agresso are used and explore what functionality and data can be shared across systems. Once this is determined, we will liaise with Publica IT to progress further.</p>	Mar 2020	<p>At the end of April 20, the service manager reported to senior management as follows:</p> <p>Link requested for uniform to agresso link, with Programme Manager representing the corporate body for consideration, still doing manual quarterly process at present, with finance.</p> <p>Revised implementation date to 31/12/20 due to Covid-19</p>
Property Use of Contractors 42058	2	<p>We recommend</p> <p>i. that process documents and associated procedures, aligned with CBC's Contract and Financial Rules, are documented and put in place so that a consistent approach to tasks can be followed and undertaken within the team as soon as possible.</p> <p>ii. A review of the service design should be undertaken to ensure that appropriate and effective processes and structures are in place.</p>	<p>Develop flow charts and sub processes to be agreed and signed off by section 151 officer.</p> <p>Started and talked already with Director and Publica Procurement to produce report on options going forward for strategic procurement of building related needs.</p>	Mar 2020	<p>At the end of April 20, Service Manager reported to senior management as follows:</p> <p>a. Procurement have set up the under £25k system and templates are used for works over £10k and under £25k</p> <p>b. Draft procedures as item 1 awaiting feedback. (rec. 42057)</p> <p>Revised implementation date to 31/12/20 due to Covid-19</p>

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Property Use of Contractors 42057	2	<p>We recommend:</p> <p>i. that unless specialist skills are required to complete specific works, only approved framework contractors are used for general building works.</p> <p>ii. that the progress of updating the contractor framework is pursued and if necessary escalated through Publica/One Legal Client Officers and Senior Management to ensure focus on this requirement is maintained.</p>	<p>Now using only framework contractors or obtaining waivers for non-specialist works.</p> <p>Additional frameworks are being pursued though One Legal for use of the GCC framework and Publica Procurement for additional frameworks.</p>	Mar 2020	<p>The Service manager reported to senior management at the end of April 20 as follows:</p> <p>a. Procurement have not sent out the framework tender for small contractors despite various chase ups</p> <p>b. GCC are no longer responding to us about their framework and use rates etc. so we are struggling to use that one</p> <p>c. Process for agreeing best value under 10k drafted I am awaiting feedback before it can be finalised.</p> <p>Revised implementation date to 31/12/20 due to Covid-19</p>
Systems Admin 41204	2	<p>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 team scope and should be available for all employees to view and follow. 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>	<p>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 guidance.</p>	Mar 2020	<p>Flowcharts have been produced for the starters / leavers / variation processes.</p> <p>The ICT Audit and Compliance Manager will refresh the ICT Policies following the completion of the Cyber Security audit report. He is aiming to have drafted policies by March 2020 for circulation / consultation at CGG and JMT.</p> <p>Further follow-up has been included in the 2020/21 audit plan</p> <p>Revised implementation date to 31/12/20 due to Covid-19</p>

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Apprenticeship Scheme 42609	2	We recommend that a reconciliation process is implemented for Apprenticeship Levy payments.	<p>Reconciliation is now carried out monthly between the Finance spreadsheet, the General Ledger and the online apprenticeship levy portal. Support will be requested from Finance to ensure reconciliation is being done correctly in the initial stages.</p> <p>The internal apprentice recruitment form has also been amended to ensure that the recruiting manager consults with the Finance Department to ensure there is appropriate levy funding available in the online account before the post goes for approval at the Resource Managers Group.</p>	Implemented & ongoing (to be followed up Feb 2020)	Recommendation followed up but no response was received from the service. Due to the lapse in time the recommendation has been closed.

High Priority Recommendation Follow-Up

APPENDIX D

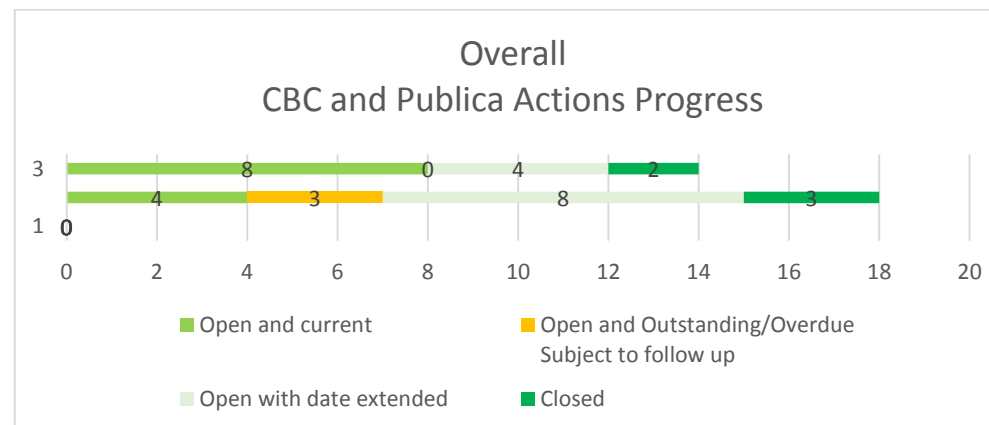
Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Procurement 41181	2	A copy of the approved contract must be held on In-Tend for all contracts over £5,000, as well as the quotes used during the tendering process, to demonstrate best value and ensure there is a complete central record.	Agreed, subject to a review of the contract value requirements.	Dec 2019	<p>The Senior Procurement Business Partner demonstrated the Contracts Module on In-Tend during fieldwork. We were advised that all new contracts since the implementation of the Contracts Module (October 2019) have been input into In-Tend. These contracts are being managed by the Procurement Team via this system in terms of monitoring of contract expiry dates.</p> <p>We were able to confirm all relevant documentation (including a copy of the approved contract) was stored for the sampled CBC contract.</p> <p>We were advised by the Senior Procurement Business Partner that it is intended that contracts that were already in place at the time that the Contracts Module was implemented will be loaded into the system in the same way as new contracts, but the speed at which this can be done is dependent on available resources to carry out the work.</p> <p>To assist them in managing existing and future contracts, the Procurement Team have implemented a future Work Plan for all authorities.</p> <p>Revised implementation date to 31/12/20 due to Covid-19</p>
Procurement 41029	2	Budget Holders should regularly undertake monitoring of expected contract spend to actual contract spend as part of contract monitoring, to ensure contracts are managed in accordance with strategy, and inform Procurement of any changes to contract values to ensure the values recorded on the Contract Register are correct.	Agreed	Dec 2019	<p>No evidence has been provided of actions carried out by responsible officers to support implementation of this recommendation at the time of follow-up. As part of the 2020/21 Audit Plan, an audit of the Management and Monitoring Contracts will be carried out. The scope of this audit will include budget monitoring arrangements in relation to contract spend and will therefore inform the follow-up of this recommendation. Revised implementation date to 31/12/20 due to Covid-19</p>

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update January 2021
Business Continuity Management 39756	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.	Jun 2019	<p>Review of the new BCP template confirms that the format provides clear guidance, roles, and responsibilities so that in the event of business disruption, officers can easily see what actions need to be taken to enable a swift recovery.</p> <p>In September 2019, an officer from the GCC Civil Protection team delivered a mandatory training session for all service managers. We were advised the officer followed up the training with 1:2:1 sessions to ensure that service specific matters were addressed.</p> <p>The Programme & Governance Manager advised that due to the Covid-19 pandemic, the Corporate BCP has not been updated to the new format.</p> <p>Agreed to extend implementation date to 31/10/20</p>

Summary of all Agreed Actions from April 2019 and Progress against them

CBC ONLY	Priority			Total
	1	2	3	
TOTAL in Audit Period (From 4/19)	0	11	9	20
Open and current		2	4	6
Open and Outstanding/Overdue Subject to follow up	0	1	0	1
Open with date extended	0	6	3	9
Closed	0	2	2	4

PUB ONLY	Priority			Total
	1	2	3	
TOTAL in Audit Period (From 4/19)	0	7	5	12
Open and current	0	2	4	6
Open and Outstanding/Overdue Subject to follow up	0	2	0	2
Open with date extended	0	2	1	3
Closed	0	1	0	1



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Audit, Compliance and Governance Committee 2020-21 work plan

Item	Author
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27 January 2021 (Report deadline: 18 January 2021)	
Cyber Security update	IT (REQUIRED) / Tony Oladejo
The Audit Findings for Cheltenham Borough Council (complete)	Grant Thornton
Annual Audit Letter	Grant Thornton
Audit progress report and sector update	Grant Thornton
Internal audit monitoring report	Internal Audit
Annual governance statement – significant issues action plan	Ann Wolstencroft
21 April 2021 (Report deadline: 9 April 2021)	
Audit progress report and sector updates	Grant Thornton
External audit plan (for the current year)	Grant Thornton
Annual plan (for the upcoming year)	Internal Audit
Internal audit monitoring report	Internal Audit
Counter Fraud Unit report (inc. RIPA / IPA update)	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
14 July 2021 (Report deadline: 2 June 2021)	
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

ANNUAL ITEMS (standing items to be added to the work plan each year)	
January	
Cyber Security update	IT (REQUIRED) and Tony Oladejo

Audit, Compliance and Governance Committee 2020-21 work plan

Item	Author
Audit committee update	Grant Thornton
Internal audit monitoring report	Internal Audit
Annual governance statement – significant issues action plan	Internal Audit
April	
Audit progress report and sector updates	Grant Thornton
External audit plan (for the current year)	Grant Thornton
Annual plan (for the upcoming year)	Internal Audit
Internal audit monitoring report	Internal Audit
Counter Fraud Unit report (inc. RIPA / IPA update)	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

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