



# CHEL TENHAM

## BOROUGH COUNCIL

### Notice of a meeting of Audit, Compliance and Governance Committee

Wednesday, 21 April 2021

6.00 pm

Virtual WEBEX video conference via the Council's YouTube  
Channel: [www.youtube.com/user/cheltenhamborough](http://www.youtube.com/user/cheltenhamborough)

<b>Membership</b>	
<b>Councillors:</b>	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.	<b>APOLOGIES</b>	
2.	<b>DECLARATIONS OF INTEREST</b>	
3.	<b>MINUTES OF THE LAST MEETING</b>	(Pages 3 - 8)
4.	<b>PUBLIC AND MEMBER QUESTIONS</b> These must be received no later than 12 noon on the fourth working day before the date of the meeting	
5.	<b>AUDIT PROGRESS REPORT AND SECTOR UPDATES</b> Grant Thornton	(Pages 9 - 26)
6.	<b>EXTERNAL AUDIT PLAN</b> Grant Thornton	(Pages 27 - 50)
7.	<b>INTERNAL AUDIT PLAN AND CHARTER</b> Internal Audit	(Pages 51 - 70)
8.	<b>INTERNAL AUDIT PROGRESS REPORT</b> Internal Audit	(Pages 71 - 100)
9.	<b>COUNTER FRAUD UNIT REPORT AND PROCEEDS OF CRIME AND ANTI-MONEY LAUNDERING POLICY</b> Emma Cathcart, Counter Fraud Unit Manager (Counter	(Pages 101 - 116)

		Fraud Unit)	
<b>10.</b>		<b>ANNUAL REVIEW OF CODE OF CORPORATE GOVERNANCE</b> Darren Knight, Executive Director of People & Change	(Pages 117 - 138)
<b>11.</b>		<b>WORK PROGRAMME</b>	(Pages 139 - 142)
<b>12.</b>		<b>ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION</b>	
<b>13.</b>		<b>DATE OF NEXT MEETING</b> 14 July 2021	

**Contact Officer:** Saira Malin, Democracy Officer, 01242 264130  
**Email:** [democratic.services@cheltenham.gov.uk](mailto:democratic.services@cheltenham.gov.uk)

### Audit, Compliance and Governance Committee

**Wednesday, 27th January, 2021  
6.00 - 7.45 pm**

<b>Attendees</b>	
<b>Councillors:</b>	David Willingham (Vice-Chair), Matt Babbage, Jonny Brownsteen, Flo Clucas, Tony Oliver, Jo Stafford and Paul McCloskey (Reserve)
<b>Also in attendance:</b>	Gemma Bell (Deputy Section 151 Officer), Lucy Cater (SWAP), Aditi Chandramouli (Grant Thornton), John Chorlton (Publica), Paul Jones (Executive Director Finance & Assets), Darren Knight (Executive Director People & Change), Barrie Morris (Grant Thornton) and Tony Oladejo (Publica)

### Minutes

**1. APOLOGIES**

Councillor Harvey, the Chair, had given his apologies. Councillor Willingham, as Vice-Chair, would chair the meeting and Councillor McCloskey would substitute.

Councillor Clucas had been marked as apologies on the agenda, but had subsequently been able to attend.

**2. DECLARATIONS OF INTEREST**

The Chairman acknowledged that this meeting clashed with Holocaust Memorial Day and said a few words about the importance of remembering those who had been murdered and the need to stand against prejudice.

Councillor McCloskey declared a non-pecuniary interest as a non-executive Director of Publica.

Councillor Brownsteen declared a pecuniary interest in Gloucestershire Airport, as he worked for a firm that undertook consultancy work for them and should the topic arise through the course of the meeting, he would not participate. There was no need for him to do this.

**3. MINUTES OF THE LAST MEETING**

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

The Vice-chair pointed out that Councillor Atherstones name has been misspelled. This would be amended.

Upon a vote it was unanimously

**RESOLVED that the minutes of the meeting held on the 11 November 2020, as amended, be agreed and signed as an accurate record.**

**4. PUBLIC AND MEMBER QUESTIONS**

There were none.

**5. ANNUAL GOVERNANCE STATEMENT - SIGNIFICANT ISSUES ACTION PLAN**

Darren Knight, the Executive Director People & Change explained that when preparing the 2019/20 statement, a number of areas had been identified as requiring improved arrangements and these formed part of an action plan for the financial year. The paper set out progress against the actions which had been identified and acknowledged that some were still outstanding as a consequence of the pandemic. He did however note that the Local Government Association had undertaken a review in November 2020 and had highlighted the excellent recovery efforts being made by this council. He felt that this was a positive endorsement and hoped it provided members, and this committee, with assurances about how the pandemic was being managed.

There were no member questions, but the Vice-Chair did suggest that everyone could accept that progress had been impacted and the reasons why. He also commended officers and members for their hard work in terms of the progress being made on recovery.

The report was noted.

**6. THE AUDIT FINDINGS FOR CHELTENHAM BOROUGH COUNCIL (FINAL)**

Barrie Morris of Grant Thornton reminded the committee that the audit findings had been presented to them back in November, at which stage they were still awaiting some information, which meant that they were not quite complete. Barrie was pleased to report that this information had since been received and Grant Thornton had been able to sign-off on this work ahead of the statutory deadline of 30<sup>th</sup> November 2020. He stressed that this was simply an update which included the audit opinion and contained nothing that the committee had not already seen. He took the opportunity to emphasise that at the end of November, only 48% of council's had seen their statement of accounts signed-off and he felt this was a great testament to the teams at CBC and Grant Thornton. He also highlighted that because Grant Thornton were still working on some 19/20 audits, there had been a delay to them being able to present the 20/21 audit plan, which would normally come to this meeting, but they were working hard to get it to the next meeting.

In response to a member question, Barrie explained that because the balance sheet stated the position as at the 31 March 2020, some two weeks after the pandemic hit, all valuations carried a material valuation uncertainty, because the impact was not known at that time. He emphasised that this may be removed at the end of the 2020-21 financial year, because the world had moved on, with stock markets having recovered and trading in investment assets having recommenced. Therefore there could be valuation movements that the valuers could put some reliance on and though he was not sure what they would say, he suggested that some valuations may decrease in certain areas.

The Vice-Chair reminded members that no decision was required, but also felt that it was important to highlight the significant findings outlined on pages 26 and 27 and the Value for Money conclusion, on page 34. Both demonstrated to the public how the council were managing the assets of which they were stewards for the people of Cheltenham and the proper arrangements it had in place to secure economy, efficiency and effectiveness, stressing that this report was a report from an independent auditor.

### **7. ANNUAL AUDIT LETTER**

Barrie Morris from Grant Thornton, introduced the annual audit letter, which summarised all of the work that had been done for the year ended 31 March 2020 and highlighted key issues and findings. He referred members to page 67 and where he had previously said that the final audit fees were yet to be agreed, this provided an update which showed that there had been a significant increase from the £38k scale fee, to almost £61k and Grant Thornton had tried to be as transparent as possible about where and how these additional fees had been incurred and a detailed breakdown had been provided appendix A of the report. In short, £7.5k had been incurred because of the increased regulation and complexity of the financial statements and with the FRC pushing for improved quality, these costs were likely to continue to grow. In addition to this, the fees had been set before Covid and the need to work remotely had resulted in the need for increase scepticism on financial statements. It was also fair to say that CBC had struggled with the changes, which had led to delays, where the process had previously been smoother and resulted in working papers that were not of the standard that Grant Thornton had received in the past. However, that being said, the council had taken steps to address this and appointed a new Deputy Section 151 Officer, which only evidenced the investment and importance that the council took in addressing this issue. The National Audit Office had introduced a new code of practice from 2020-21 which would increase the amount of work involved in the VfM, with more focus on things that were important to tax payers; looking at financial resilience, budget arrangements, financial planning and savings plans. Another focus was around decision making and whether members were being given sufficient reports to be able to make informed decisions and were they comfortable with the financial plans that were in place. Finally, Grant Thornton would be looking at the overall delivery of economy, efficiency and effectiveness; how were the council benchmarking to make sure best bang for money put in. Also it needed to be said that CBC was not a benign council, not shying away from different and innovative ways in which to deliver services and invest money and that inevitably increased the complexity of some of the arrangements that Grant Thornton were having to look at, which took additional audit time, increasing the amount of audit work required and the fees that they needed to charge. That being said, Grant Thornton were very fortunate to have a good relationship with the Section 151 Officer, meaning that Grant Thornton were given plenty of notice before the council embarked on something, giving them ample time to consider in advance, which enabled Grant Thornton to be efficient and robust at the same time.

The following responses were given to member questions:

- The audit plan would set out the scope of scale of the audit work to be undertaken following regulatory changes. The Redmond Review pointed out the complexity and length of financial statements and

proposed that they be simplified to enable the public to understand the financial information, giving them greater assurance that the finances of the authority are sound. CIPFA would review if and how this could be achieved.

- A large proportion of the additional costs had been as a direct result of the pandemic and it was noted that the Government had recognised this at a national level, with the Government committing an additional £15m; though whether this would go to local authorities or directly to external auditors was as yet unknown.
- The Executive Director Finance & Assets reminded members that Audit training was included as part of the post-election induction programme, which was currently being organised. As part of this key partners did provide dedicated sessions and this would be open to all members, not just those that had been newly elected.
- CBC recognised that there had been shortfalls in the quality of the working papers this year and as a means of addressing this had appointed Gemma Bell to the position of Deputy Section 151 Officer. Gemma is a 100% CBC dedicated resource.
- A key part of the VfM work would be consideration of the financial planning arrangements and what assumptions and sensitivity analysis had been applied, as well as what reserves and mitigations were in place. However, there was a risk that the emergency funding would mask issues in the short term, so Grant Thornton would be looking at medium to long term arrangements. Members were assured that from Grant Thornton's perspective, CBC had a good proven track record in terms of developing and delivering saving plans.

The Executive Director Finance & Assets took the opportunity to remind members that CBC had a diverse portfolio and therefore did not have significant exposure to any particular market. The biggest hit had and would continue to be retail and CBCs exposure was predominantly secondary retail, supermarkets and shop parades, which had performed well throughout the pandemic. He urged members to keep in mind the reasons that CBC ventured into the office market. Cheltenham was losing significant office space to retirement flats under permitted development rights, which was driving up the price per square ft. to those seen just outside of London and in his opinion, people would return to offices once we were through the worst of the pandemic. His main concern was car parking income, which had taken a significant hit from the pandemic, though he admitted that the reduction in use would go a way towards helping us achieve our carbon neutral target.

A member thanked the Executive Director Finance & Assets and his team for their continued hard work and felt it was a tribute to this that colleagues across Europe were looking at Cheltenham to try and learn from us.

The Vice-Chair reiterated his thanks to Officers and reminded members of the importance of the external auditors and the independent assurances they gave, commenting that in his opinion, it was money well spent.

No decision was required.

## **8. AUDIT PROGRESS REPORT AND SECTOR UPDATE**

Aditi Chandramouli of Grant Thornton, introduced the audit progress report and sector update. Certification of 2019/20 claims and returns was ongoing, as was planning for the 20/21 financial statements audit. She explained that the deadline for certification of the Housing Benefits claim was the end of January 2021, but the DWP had been asked for an extension, which had been granted and Grant Thornton were working to conclude this work in the next couple of weeks. Grant Thornton had encountered a problem in being able to use the council software remotely, and with stretched resources themselves and the councils Revenue and Benefits team being so busy discharging grants, it had taken longer to resolve than if they had been on site. As a consequence of these delays, planning for the 20/21 work was also behind schedule. However, she highlighted that Grant Thornton were in regular contact with the Executive Director Finance & Assets and were due to meet the newly appointed Deputy Section 151 Officer, Gemma Bell, to discuss lessons from the previous year. She noted that the National Audit Office had introduced a new Code of Audit Practice and included a new set of key criteria: more extensive reporting with a requirement on the auditor to produce a commentary on arrangements across all of key criteria, rather than the current 'reporting by exception' approach and replacement of the binary (qualified/unqualified) approach to VfM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses identified during the audit.

The following responses were given to member questions:

The qualified/unqualified opinion would be replaced with recommendations, of which there would be three kinds; statutory, key and improvement. The kind of recommendation would demonstrate the seriousness of the recommendation and each recommendation would be tracked.

The Vice-Chair thanked Grant Thornton for their hard work and wished them well in achieving the revised deadline for certification of the Housing Benefit claim.

### **9. INTERNAL AUDIT MONITORING REPORT**

Lucy Cater, the Assistant Director for SWAP Internal Audit Services, introduced the audit progress report, a quarterly update on the work of Internal Audit. She highlighted the change to way in which this was now being presented, explaining that they had introduced a one page reports for audits and these will be presented to Committee, rather than the previous executive summaries. She also noted that the work plan for the coming year was currently out for consultation and if any members had anything they would like to be considered, they should email her or her colleague, Jaina Mistry, directly.

There were no member questions arising from this report.

The Vice-Chair thanked Lucy for her attendance and for what was a very useful and informative report.

### **10. WORK PROGRAMME**

The Vice-Chair invited officers and members to raise any amendments or additions to the work plan.

The Vice-Chair himself suggested that it was important that the committee receive one page updates on certain areas. Topics could include the annual canvas process. He also considered it was important for the committee to look at FOI and EIR requests and how the council responds to them. Officers were happy to add this to the work plan and the Executive Director People & Change commented that these processes, along with corporate complaints handling, had benefitted from additional resource.

The Vice-Chair had also asked for something on grants but the Executive Director Finance & Assets explained that this was a highly regulated area that was scrutinised by Government. There were a number of grant regimes in operation at the moment and all of these were reported nationally with rankings. He did intend to bring table something at a future date in terms of congratulating the team for their tremendous efforts, which had seen them get money to businesses as quickly as possible.

In light of the ongoing situation, the Executive Director Finance & Assets flagged that there may be need for an additional meeting, but would discuss this with officers outside of the meeting and contact members as necessary.

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

There was no urgent business.

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

Upon a vote it was unanimously

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

The committee considered the cyber security update and commented as necessary.

**14. DATE OF NEXT MEETING**

The next meeting was scheduled for the 21 April 2021.

**Chairman**

# Cheltenham Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2021

April 2021



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole 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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# Introduction

## 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

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](http://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.

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# Progress at April 2021

## Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in February 2021, and interim audit in March. We expect to begin our work on your draft financial statements in July.

Our interim fieldwork included:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements

The results of our work to date are included in this report.

In April, we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by September 2021

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and will make more impact. Before beginning work, we will discuss with you:

- Timing
- Resourcing
- Fees

# Progress at April 2021 (cont.)

## Other areas

### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim was completed in February 2021, and our findings are included later on this report. The certification work for the 2020/21 claim has not yet begun. We will report our findings to the Audit, Compliance and Governance Committee in our Progress Report in January 2022.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2019/20 return was completed in January 2021, and our findings are included later on this report. The certification work for the 2020/21 return has not yet begun.

### Meetings

We met with Finance Officers in January and April as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020/21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 and 2019/20 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit, Compliance and Governance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Certification of claims and returns

We completed the certification of Housing Benefit claim for Cheltenham Borough Council on 10 February 2021. We also completed the certification of Pooling of Housing Capital Receipts on 29 January 2021. Our findings are set out below.

## Housing Benefits Claim

The draft claim form identified total subsidy claimed of £21,880,924. The claim was amended and qualified, and the final claim form reflected subsidy claimed of £21,878,452. The following errors were noted in our report:

- HRA Rent Rebates – An error was identified in prior years in relation to earned income. The Council tested 40 additional cases, and we re-performed a sample. This resulted in an extrapolated error value of £48
- Rent Allowances – An error was identified in prior years in relation to earned income. The Council tested 40 additional cases, and we re-performed a sample. This resulted in an extrapolated error value of £12
- Rent Allowances – An error was identified in prior years in relation to classification of overpayments. The Council tested 40 additional cases, and we re-performed a sample. This resulted in an extrapolated error value of £2,135
- Non-HRA Rent Rebates– An error was identified in the initial testing where the rent liability had been incorrectly calculated, leading to overpaid benefit. The Council tested all claims in Cell 011, and we re-performed a sample. A claim amendment of £20 was made.
- HRA Rent Rebates– An error was identified in the initial testing where the pension credit savings credit had been incorrectly calculated, leading to overpaid benefit. The Council tested all claims in Cell 055 with PCSC, and we re-performed a sample. A claim amendment of £1 was made.
- Non-HRA Rent Rebates - An error was identified in the initial testing where the LHA rate was incorrectly classified, leading to subsidy being overclaimed. The Council tested all claims affected, and we re-performed a sample. A claim amendment of £214 was made.
- There were also 2 additional errors brought forward from the previous year which were tested by the Council and re-performed by the audit team in, which did not result in any additional errors in 2019-20, and hence are considered closed

## Pooling of Housing Capital Receipts

Two minor exceptions were noted in relation to the Pooling of Housing Capital Receipts Claim. These do not affect the amounts per the annual return, however we have reported this to MHCLG via our Accountant's Report as required.

# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p><b>Audit Plan</b></p> <p>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 Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	April 2021	Complete, and included on this agenda
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	April 2021	Complete, and included on this agenda
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the September Audit, Compliance and Governance Committee</p>	September 2021	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statements.</p>	September 2021	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	September 2021	Not yet due

# Results of Interim Audit Work

The findings of our interim audit work undertaken to date, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	<b>Work performed</b>	<b>Conclusions and recommendations</b>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• communication and enforcement of integrity and ethical values;</li> <li>• commitment to competence;</li> <li>• participation by those charged with governance;</li> <li>• management's philosophy and operating style;</li> <li>• organisational structure;</li> <li>• assignment of authority and responsibility; and</li> <li>• human resource policies and practices.</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements.</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Authority's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Authority in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Authority's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach. Detailed journals testing will be completed as part of the final accounts audit.</p>
<b>Opening Balances</b>	<p>We have reviewed the Council's brought forward opening balances as at 1st April 2020, and compared them against the audited 31st March 2020 balances to ensure that opening balances had been appropriately brought forward.</p>	<p>Our work has not identified any variances between the prior year closing balances and current year opening balances.</p>

# Sector Update

Authorities 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

# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do the Audit, Compliance and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Finance lease liabilities

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

## Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management addresses this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

## How can you help?

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance at an Audit, Compliance and Governance Committee meeting. For our 2020/21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquires in due course.

## Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



# Local government finance in the pandemic – National Audit Office

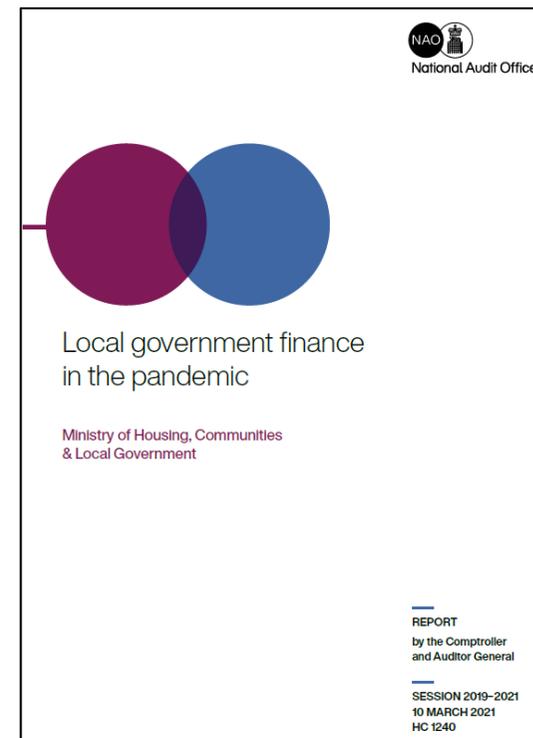
The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

# Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

# 2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.

This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>



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# Cheltenham Borough Council Audit Plan

Year ending 31 March 2021

6<sup>th</sup> April 2021



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## 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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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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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# Key matters

## Factors

### Council developments

2020-21 has been a challenging year for Cheltenham Borough Council due to the Covid-19 pandemic. At the same time, the Council has been progressing their long term aims of carbon neutrality by 2030, as well as becoming the Cyber Capital of the UK. The Golden Valley development is underway, and the Council has also been involved with new cyber development schemes such as the new Minster Exchange Project.

The Council has been working collaboratively with other councils in Gloucestershire, a key example of which relates to the proposals around developing motorway junction 10 to provide better access to west Cheltenham, which is a key part of the Council's Cyber aims.

In November 2020, the Council participated in an LGA Recovery and Renewal panel, which was intended to reflect on the Council's learnings from the Covid-19 pandemic, as well as discuss challenges and opportunities with peers. The report concluded that the Council had taken positive steps and shown organisational flexibility in responding to the pandemic, and that while the council will face challenges in progressing the cyber capital project, the foundations exist with stakeholders and partners to make the project a success.

### Impact of Covid 19 pandemic

The Council has been supporting residents and businesses throughout the Covid-19 pandemic, by delivering critical services. The Council administered several grants to businesses in 2020-21, including the Local Restrictions Support Grant, the Small Business Grants Fund as well as Retail, Hospitality and Leisure Grant Fund. The Council produced a recovery strategy as a response to the Covid-19 pandemic, which involves several key priorities including the use of technology to improve efficiency of services, greater flexibility around local borrowing and investment to aid the Council's role in supporting local cyber developments, as well as supporting wider regeneration in Cheltenham.

The Council also refreshed their 2020-21 budget in November 2020 as the Covid-19 pandemic was not a known situation or risk when the original budget was approved in early 2020. Since then, there has been a significant impact on national and local financial environment as well as on service demands across the public sector.

We will review the Council's medium term financial planning, and the impact of Covid-19 on financial planning as part of our value for money work.

Due to the pressures faced by organisations in the public sector as a result of the pandemic, we are aware that there could be increased incentive and opportunity for organisations to manipulate their financial statements. As a result, we have identified a significant risk of fraud in relation to the Fees, Charges and Other Service Income revenue stream, and will undertake increased audit testing in this area, as set out on page 7 of this report.

## Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been discussed with the S151 Officer.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- We will continue to provide you with sector updates via our Audit, Compliance and Governance Committee updates.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to revenue recognition, as set out on page 7
- The Council's valuer reported a material uncertainty in regards to the valuation of properties in 2019/20 due to the Covid 19 pandemic and we expect significant uncertainty will continue in 2020/21. We have identified a significant risk in regards to the valuation of properties – refer to page 8.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Cheltenham Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Cheltenham Borough Council. We draw your attention to this document.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit, Compliance and Governance Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit, Compliance and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

## Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Cheltenham Borough Homes Ltd and Gloucestershire Airport Ltd.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Income from Fees, Charges and Other Service Income;
- Management override of controls;
- Valuation of Land and Buildings, Council Dwellings, Investment Properties and Surplus Assets; and
- Valuation of the pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £1.635m (PY £1.595m) for the group and £1.566m (PY £1.573m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £78k (PY £79k).

## Value for Money arrangements

We have not identified any risks of significant weakness from our initial planning work. Our key areas of focus will include:

- Medium term financial planning, and impacts of Covid-19 on financial planning
- The Council's Commercial Investment Strategy, in light of emerging national guidance and the Covid-19 pandemic

## Audit logistics

Our interim visit will take place in March and our final visit will take place in August and September. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £59,543 (PY: £60,929) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Cheltenham Borough Council	Yes	Audit of the financial information of the component using component materiality	<ul style="list-style-type: none"> <li>Revenue Recognition</li> <li>Risk of management override</li> <li>Pension net liability valuation</li> <li>Valuation of property, plant and equipment, including investment properties</li> </ul>	Full scope UK statutory audit performed by Grant Thornton UK LLP
Gloucestershire Airport Limited	Yes	Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements	<ul style="list-style-type: none"> <li>Revenue Recognition</li> <li>Risk of management override</li> <li>Pension net liability valuation</li> <li>Valuation of property, plant and equipment, including investment properties</li> </ul>	<p>Specific scope procedures on balances to have audit procedures applied to be performed by component auditor</p> <p>The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor's audit documentation and meeting with appropriate members of management.</p>
Cheltenham Borough Homes	Yes	Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements	<ul style="list-style-type: none"> <li>Revenue Recognition</li> <li>Risk of management override</li> <li>Pension net liability valuation</li> <li>Valuation of property, plant and equipment, including investment properties</li> </ul>	<p>Specific scope procedures on balances to have audit procedures applied to be performed by component auditor</p> <p>The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor's audit documentation and meeting with appropriate members of management.</p>

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Publica Group (Support) Limited	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP.
UBICO	No	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP.

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Income from Fees, Charges and Other Service Income	Group and Authority	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>For Cheltenham Borough Council, we have concluded that the greatest risk of material misstatement relates to Fees, Charges and Other Service Income. We have therefore identified the occurrence and accuracy of 'Fees, Charges and Other Service Income' as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p> <p>We have rebutted this presumed risk for the other revenue streams of the group and Authority because:</p> <ul style="list-style-type: none"> <li>Other income streams are primarily derived from grants or formula based income from central government and tax payers; and/or</li> <li>opportunities to manipulate revenue recognition are very limited.</li> </ul>	<p>For 'Fees, Charges and Other Service Income' we will:</p> <ul style="list-style-type: none"> <li>evaluate the group's accounting policy for recognition of income from Fees, Charges and Other Service Income for appropriateness;</li> <li>gain an understanding of the Authority's system for accounting for income from Fees, Charges and Other Service Income and evaluate the design of the associated controls; and</li> <li>agree, on a sample basis, amounts recognised as income from Fees, Charges and Other Service Income in the financial statements to supporting documents.</li> </ul> <p>For all other revenue streams, having considered the risk factors set out in ISA 240 we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate revenue recognition</li> <li>opportunities to manipulate revenue recognition are very limited</li> <li>the culture and ethical frameworks of local authorities, including Cheltenham Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Group and Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>evaluate the design effectiveness of management controls over journals;</li> <li>analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Land and Buildings, Council Dwellings, Investment Properties and Surplus Assets	Group and Authority	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£459 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. The Authority also has investment properties and surplus assets which must be valued annually at 31 March.</p> <p>We therefore identified valuation of land and buildings, including council dwellings, investment properties and surplus assets, as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenge the information and assumptions used by the valuer to assess; completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation;</li> <li>• test revaluations made during the year to see if they had been input correctly into the group's asset register; and</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are materially different to current value at year end.</li> </ul>
Valuation of the pension fund net liability	Group and Authority	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£51 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test 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;</li> <li>• undertake 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; and</li> <li>• obtain 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.</li> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We identified one recommendation in our 2019/20 audit in relation to the Council's estimation process in relation to the valuation of investment properties.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit, Compliance and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Finance lease liabilities

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



### Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### Planning enquiries

As part of our planning risk assessment procedures we have made enquiries of management which we will factor into our risk assessment process. We would appreciate a prompt response to these enquires in due course.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see pages 15 and 16). We will also need to identify whether any material uncertainties in respect of going concern have been reported for the Council's subsidiary and joint venture. If such a situation arises, we will consider our audit response for the group.

# Progress against prior year audit recommendations

We identified the following issues in our 2019/20 audit of the Council and Group's financial statements, which resulted in 5 recommendations being reported in our 2019/20 Audit Findings Report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	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.	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. Management will continue to monitor the level of reserves and will report those findings, with appropriate recommendations, to Council at least twice a year.
✓	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.	Proactive marketing with potential tenants will continue ahead of any tenancy expiry and be reported to the CFO and Cabinet Member on a monthly basis.
✓	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. We recommended that the Council formally revalue all their investment properties and surplus assets annually to reduce the risk of material misstatement.	All investment property has been put out for full revaluation based on a revaluation date of 31 March 2021
✓	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.	A Head of Finance has been recruited and has been in post since January 2021. The Head of Finance has recruited two new Finance Business Partners to increase the capacity of the finance team and a new team structure is currently being embedded. As part of this process and in preparation for closedown, an exercise has been undertaken to review the working papers used in 2019/20 to identify improvements. All working papers will be reviewed by the Head of Finance before they are shared with audit to ensure there is a clear audit trail between the accounts and the workings and that any issues or queries raised by audit are fully addressed.
✓	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	As part of the preparation for closedown, the Head of Finance has reviewed the Council's accounting policies. The specific recommendation has been addressed to update the 1% threshold based on the current other land and buildings balance.

# Materiality

## The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £1.635m (PY £1.595m) for the group and £1.566m (PY £1.573m) for the Council, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £10k for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit, Compliance and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Compliance and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. 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. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £78k (PY £79k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Compliance and Governance Committee to assist it in fulfilling its governance responsibilities.

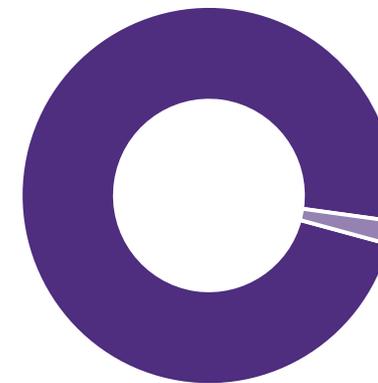
## Prior year gross operating costs

£81.75m Group

(PY: £79.755m)

£78.324m Council

(PY: £78.659m)



■ Prior year gross operating costs

## Materiality

£1.635m

Group financial statements materiality (PY: £1.595m)

£1.566m

Council financial statements materiality (PY: £1.573m)

£78k

Misstatements reported to the Audit, Compliance and Governance Committee (PY: £79k)

# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

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 Code introduced a revised approach to the audit of Value for Money. (VFM)

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

- A new set of key criteria, covering financial sustainability, governance 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 Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Value for Money Approach

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out below.

## Key areas of focus

The Council's medium term financial planning has been significantly impacted by the Covid-19 pandemic. We have not identified any risks of significant weaknesses from our initial planning work to date, however we will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report. Our Value for Money work will primarily focus on the aspects listed below but may increase in scope as further work is performed:

- Medium term financial planning, and impacts of Covid-19 on financial planning; and
- The Council's Commercial Investment Strategy, in light of emerging national guidance and the Covid-19 pandemic

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team

  
Planning and  
risk assessment

  
Interim audit  
March 2021

  
Audit, Compliance and  
Governance Committee  
April 2021

Audit Plan and  
Results of Interim  
Audit Work

  
Year end audit  
August – September 2021

  
Audit, Compliance and  
Governance Committee  
September 2021

Audit Findings  
Report/Draft  
Auditor's Annual  
Report

  
Audit, Compliance and  
Governance Committee  
September 2021

Auditor's  
Annual  
Report



**Barrie Morris, Key Audit Partner**

Barrie leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



**Aditi Chandramouli, Audit Manager**

Aditi plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.



**Jade Brockett, Audit Incharge**

Jade's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively and efficiently. Jade supervises and co-ordinates the on-site audit team.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In December 2017, PSAA awarded a contract of audit for Cheltenham Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £38,043. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 15, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging 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. Our estimate is that for your audit, this will result in an increased fee of £9,000. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been discussed with your S151 Officer.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Cheltenham Borough Council Audit	£42,543	£60,929	£59,543
<b>Total audit fees (excluding VAT)</b>	<b>£42,543</b>	<b>£60,929</b>	<b>£59,543</b>

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA	£38,043
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£2,500
Enhanced audit procedures for Property, Plant and Equipment	£1,750
Enhanced audit procedures for Pensions	£1,750
Brought forward ongoing fee from 2019-20	£44,043
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs	£6,500
<b>Total audit fees (excluding VAT)</b>	<b>£59,543</b>

# Independence and non-audit services

## 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 of employment 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 Offices 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.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Capital receipts grant	£5,000	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. The fee for this work is £24,906 in comparison to the total fee for the audit of £59,543 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.
Certification of Housing Benefits grant	£19,906	Self-Interest (because this is a recurring fee)	These factors all mitigate the perceived self-interest threat to an acceptable level.

# Appendix 1: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

# Appendix 1: Revised Auditor Standards and application guidance continued

	<b>Date of revision</b>	<b>Application to 2020/21 Audits</b>
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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## Cheltenham Borough Council

### Audit, Compliance and Governance Committee – 21<sup>st</sup> April 2021

#### Proposed 2021/22 Internal Audit Plan

#### Internal Audit Charter

<b>Accountable member</b>	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
<b>Accountable officer</b>	Paul Jones, Executive Director – Finance and Assets
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>The Council must ensure that it has sound systems of internal control which facilitate effective management of all the Council's functions. The work planned by SWAP Internal Audit Services, the Council's Internal Audit service, is one of the control assurance sources to the Audit, Compliance and Governance Committee and Senior Leadership Team and which supports the work of the external auditor. The work is also a key component of the Council's governance framework and as assurance source supporting the Annual Governance Statement, which forms part of the statutory accounting standards.</p> <p>Following CIPFA's guidance on Audit Committee, the Committee this evening should "formally approve (but not direct) the Internal Audit plan".</p> <p>The Internal Audit Charter is a requirement of the arrangement between Cheltenham Borough Council and SWAP Internal Audit Services (SWAP). The charter ensures compliance with good practice as set out in the International Professional Practices Framework of the Institute of Internal Auditors and the Public Sector Internal Audit Standards (PSIAS).</p>
<b>Recommendations</b>	<p><b>The Audit, Compliance and Governance Committee approves the Proposed 2021/22 Internal Audit Plan</b></p> <p><b>The Audit, Compliance and Governance Committee approves the Internal Audit Charter</b></p>
<b>Financial implications</b>	<p>There are no financial implications arising from the report</p> <p><b>Contact officer: Gemma Bell, Head of Finance (Deputy Section 151 Officer)</b>  <a href="mailto:Gemma.Bell@cheltenham.gov.uk">Gemma.Bell@cheltenham.gov.uk</a>, 07341 780601</p>
<b>Legal implications</b>	<p>None specific arising from the report recommendation</p> <p><b>Contact officer: One Legal</b>  <a href="mailto:legal.services@tewkesbury.gov.uk">legal.services@tewkesbury.gov.uk</a>, 01684 272012</p>
<b>HR implications (including learning and organisational development)</b>	<p>The HR implications are as detailed in the Internal Audit Plan. HR will work closely with Internal Audit in respect of the areas of coverage as detailed in Financial Management and People and Asset Management in order to meet the actions required.</p> <p><b>Contact officer: Julie McCarthy, HR Manager – Operations</b></p>

<b>Key risks</b>	<p>The audit plan has been derived from consultation with Corporate Management Team, Executive Leadership Team, Audit, Compliance and Governance Committee, the Internal Audit Team and through reference to relevant policy, strategy and protocol documents including the risk register. The plan is designed to capture key and emerging risks that this Council faces over the year and therefore the plan will remain as flexible as possible to ensure internal audit resources remain focussed and valued.</p> <p>Internal Audit activity is needed each year to satisfy assurance requirements. For example, Internal Audit review key financial systems annually because the external auditors may rely on this in their own work on final accounts. In addition, the requirement for the Council to review its system of internal control and governance procedures means that assurance is required on systems and procedures relating to the compilation of the Annual Governance Statement. If this work is not completed by Internal Audit additional fees from External Audit may be incurred.</p> <p>Furthermore, Internal Audit is a statutory function under the Accounts and Audit (England) Regulations 2015. <i>“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”</i></p> <p>The risk of failure to deliver core elements of the plan will be mitigated through the Partnership Board monitoring process. The representative from Cheltenham Borough Council is Paul Jones, Executive Director – Assets and Finance (Section 151 Officer)</p> <p>Furthermore, Audit, Compliance and Governance Committee will continue to receive quarterly reports through 2021/22 from Internal Audit detailing the work undertaken in relation to the plan.</p> <p>Without an approved charter there is a risk that SWAP will not have:</p> <ul style="list-style-type: none"><li>• The support of management and the Council</li><li>• Direct access and freedom to support senior management including the Chief Executive and the Audit, Compliance and Governance Committee</li><li>• Access to any records, personnel or physical property of the Council for audit work</li></ul>
<b>Corporate and community plan Implications</b>	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Chartered Institute of Internal Auditing UK and Ireland).</i></p> <p>Therefore, the internal audit activity impacts on corporate and community plans.</p>
<b>Environmental and climate change implications</b>	<p>Relevant to particular audit assignments and will be identified within <i>individual reports</i>.</p>
<b>Property/Asset Implications</b>	<p>There are no specific Property/Asset Implications arising from the content of the report</p> <p><b>Contact officers: Paul Jones, Executive Director – Finance and Assets</b> <a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a>, 01242 264365</p>

## 1. Background

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1.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change. Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. This reinforces the requirement for Internal Audit to follow a more flexible and risk based plan.

## 2. Reasons for recommendations

2.1 The primary role of Internal Audit is to provide assurance that the Council's systems constitute a proper administration of its affairs. To this end, Internal Audit carries out a programme of audits that is agreed annually with Corporate Management Team and Executive Leadership Team and is approved by the Audit, Compliance and Governance Committee.

2.2 The requirements of the Public Sector Internal Audit Standards (PSIAS) and changes within the local authorities, SWAP Internal Audit Services, as the Internal Audit provider, needs to respond to the changing environment and the areas where the organisation now requires assurances. This reinforces the requirement for Internal Audit to follow a more flexible and risk based plan.

2.3 The core financial systems delivered to the Council by Publica Group are covered within the Core Financials, this will cover Publica and client-side activities providing;

- Assurance to the client (Cheltenham Borough Council) over the controls, and system controls, operated by Publica Officers, for each financial module (system control testing)
- Periodic assurance over the other services provided by Publica
- The required support to the External Auditor

2.4 A summary of the Proposed Internal Audit Plan for 2021/22 is included at Appendix 1. This lists the risk based assurance and consultancy work planned for the year. Counter fraud related audit work has not been included in this audit plan.

2.5 The Internal Audit Plan outlines a preferred programme of work for the year as developed throughout January and February 2021. The Audit Plan presented is not "set in stone" and is intended to evolve in response to issues highlighted through risk and change management and monitoring. Any changes to the agreed plan will only be made through a formal process involving the Section 151 Officer.

## 3. Consultation and Feedback

3.1 The plan has been developed following consultation with and feedback from Corporate Management Team, Executive Leadership Team, the Internal Audit Team and the Audit, Compliance and Governance Committee.

## 4. Performance management – monitoring and review

The performance of SWAP Internal Audit Services is monitored by both the Audit, Compliance and Governance Committee and the Audit Partnership Board as detailed in the Internal Audit Charter.

## 5. Internal Audit Charter

5.1 The Audit Charter (Appendix 2) demonstrates how the Internal Audit service will operate, and forms part of the requirements of the Public Sector Internal Audit Standards (PSIAS).

5.2 The Charter provides guidance on authority, accountability, customer care (quality control), independence, reporting, responsibility and audit standards

<b>Report author</b>	<b>Lucy Cater, Assistant Director, SWAP Internal Audit Services</b> <b>lucy.cater@swapaudit.co.uk</b> <b>01285 623340</b>
<b>Appendices</b>	<ol style="list-style-type: none"><li>1. SWAP Internal Audit Plan 2021/22</li><li>2. Internal Audit Charter</li></ol>

# Cheltenham Borough Council

## Proposed Internal Audit Plan 2021/22

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2021/22 financial year.

### Introduction and Objective of the Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

When reviewing the proposed internal audit plan (as set out in Appendix 1), key questions to consider include:

- Are the areas selected for coverage this coming year appropriate?
- Does the internal audit plan cover the organisation's key risks as they are recognised by the Senior Management Team and Audit, Compliance and Governance Committee?
- Is sufficient assurance being received within our annual plan to monitor the organisation's risk profile effectively?

## Internal Audit Planning 2021/22

The proposed 2021/22 plan presented in Appendix 1 provides coverage of the Authority's key corporate objectives and risks as well as core areas of recommended coverage.

Internal audit is only one source of assurance and should be considered as such.

### Update to Approach

Due to the pace of change within Local Authorities, it is becoming increasingly difficult to accurately predict longer-term key organisational risks. Our approach to internal audit planning recognises this through a strategic 12 month rolling plan, whereby we have prepared an agile, risk assessed work plan containing key areas of coverage. This approach will ensure we are auditing the right areas, with the correct scope, at the right time.

We will revisit and adjust our programme of work on at least a quarterly basis to ensure alignment with the changing risk profile of the organisation's operations, systems and controls and with regard to sector risks. The regular input of Senior Management and review of the Authority's risk register will be considered in this process. Our 2021/22 audit plan will contain an element of contingency in order that the plan can remain flexible and respond to new and emerging risks as and when they are identified and may include unannounced activity.

The proposed audit plan at Appendix 1 provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit activity.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. Internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

# Internal Audit Planning 2021/22

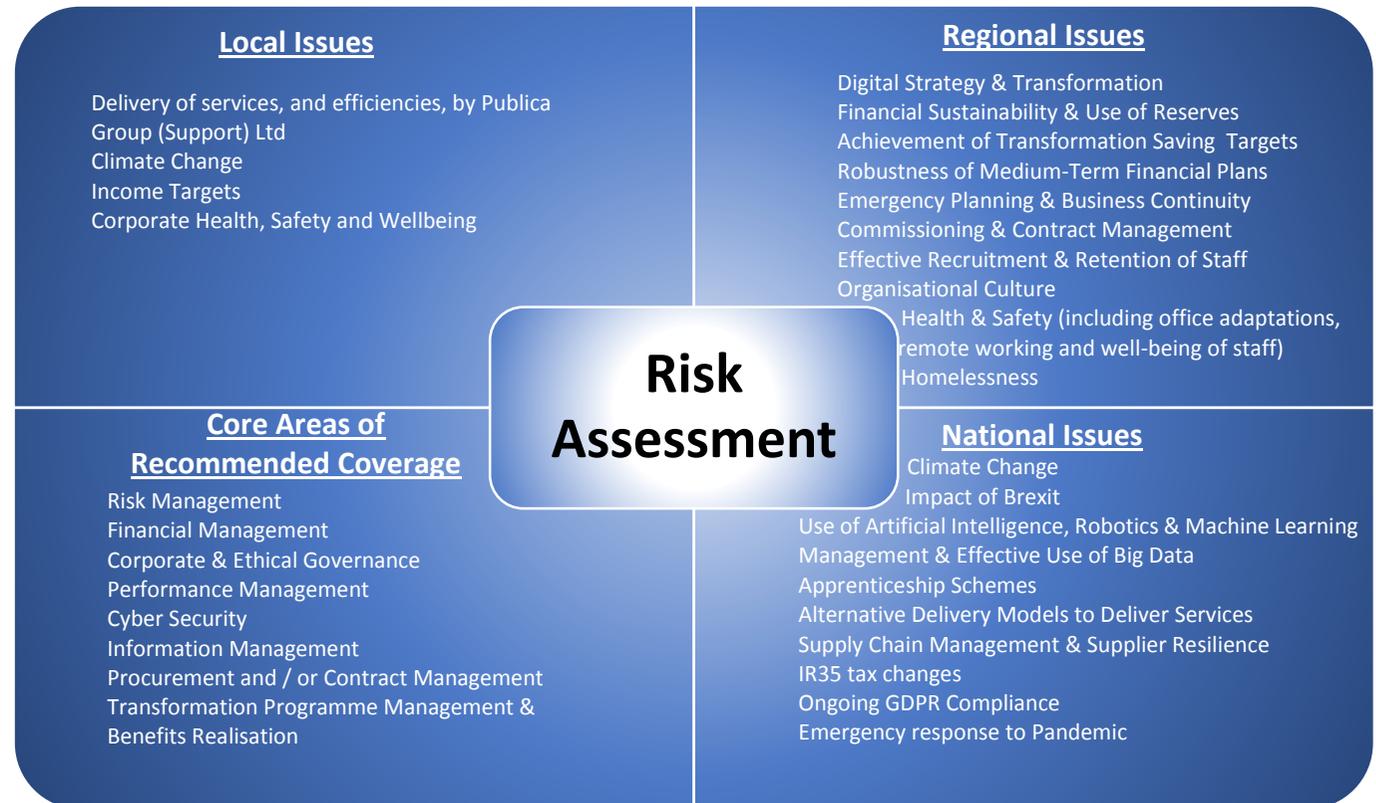
Our documented risk assessment helps to ensure that sufficient and appropriate areas are identified for consideration in our internal audit programme of work.

As above, it is the responsibility of the Authority's Senior Leadership Team, and the Audit, Compliance and Governance Committee to ensure that, with consideration of our risk assessment, the overall programme of work throughout the year contains sufficient and appropriate coverage.

## Internal Audit Risk Assessment (updated)

Our 2021/22 internal audit programme of work is based on a documented risk assessment, which SWAP will revisit regularly, but at least annually. The input of senior management as well as review of the Authority's risk register has been considered in this process.

Below we have set out a summary of the outcomes of the risk assessment for Cheltenham Borough Council



*It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific Terms of Engagement for the piece of work, which includes the objective and scope for the review.*

Areas of Coverage and Brief Scope	Responsible Officer
<b>Core Audit Areas</b>	
<p><b>Core Financials – Publica Controls and Transactional Testing</b>  <i>A review of the controls operating within Publica in respect of the Core Financial systems:</i></p> <ul style="list-style-type: none"> <li>• <i>Payroll</i></li> <li>• <i>Accounts Payable (Creditors) – to include regular check of potential duplicate payments and reporting to AP service for investigation</i></li> <li>• <i>Accounts Receivable (Debtors)</i></li> <li>• <i>Treasury Management and Bank Reconciliations</i></li> <li>• <i>Main Accounting, Capital Accounting and Budgetary Control Depending on previous years audit assurances a high-level review may be deemed appropriate.</i></li> </ul>	<p><b>Executive Director – Finance and Assets</b></p>
<p><b>Human Resources</b>  <i>A review of an element of the Human Resources (HR) service – Suggested area to be reviewed is the Recruitment Process following changes to the system.</i></p>	<p><b>Executive Director – People and Change</b></p>
<p><b>Other Publica Area</b>  <i>Review to be undertaken of either Procurement / Health and Safety / Insurance. Suggested area for review is Procurement, following update to the strategy, changes to limits / thresholds, ensuring BMs are complying with strategy.</i></p>	<p><b>Executive Director – Finance and Assets</b></p>
<p><b>Revenues and Benefits</b>  <i>A review of the controls operating in respect of:</i></p> <ul style="list-style-type: none"> <li>• <i>Council Tax</i></li> <li>• <i>National Non-Domestic Rates</i></li> <li>• <i>Housing Benefit and Council Tax Support</i></li> </ul> <p><i>Scope to be confirmed</i></p>	<p><b>Executive Director – Finance and Assets</b></p>

<p><b>ICT Audits</b>  <i>Proposed audits, following completion of Cyber Security review in 2020/21 include:</i></p> <ul style="list-style-type: none"> <li>• Existence and Maintenance of an Inventory of Hardware Assets</li> <li>• Inventory of Software Assets (Including Data Assets)</li> <li>• Control of Accounts with Administrative Privileges</li> <li>• Vulnerability Management</li> </ul>	<p><b>Executive Director – People and Change</b></p>
<p><b>Risk Management</b>  <i>Review to assess the maturity level of the Council</i></p>	<p><b>Executive Director – People and Change</b></p>
<p><b>Performance Management</b>  <i>A review of an element of Performance Management                  Scope to be confirmed</i></p>	<p><b>Executive Director – People and Change</b></p>
<p><b>Proposed Audit Areas</b></p>	
<p><b>Leisure and Culture Facilities</b>  <i>Review to determine how the Council ensures the leisure service provider(s) are adhering to statutory Health and Safety regulations. Review to test requested confirmations for tests such as fixed wire testing, fire alarm systems and emergency lighting tests.</i></p>	
<p><b>Property Related Health and Safety</b>  <i>Review to assess the Health and Safety arrangements at the Council’s properties (excl. housing stock, as this is managed by CBH) including compliance with Fixed Wire, Emergency Lighting and PAT testing.</i></p>	
<p><b>Use of Third-Party Workers</b>  <i>Review of the recruitment and on-going personnel management of agency / contractor / temporary / third-party workers who work at / on behalf of the Council. Are HR related considerations, processes and controls robust enough within individual service areas?</i></p>	
<p><b>Climate Change</b>  <i>Review to assess what business areas are doing to support the Council’s commitment to the Climate Emergency.</i></p>	
<p><b>Building Control</b>  <i>Review of the Building Control process offering suggestions for improvement where appropriate.</i></p>	
<p><b>Mechanism for Charging Councils</b>  <i>Assessment of the revised framework for the recharging of Publica services to the Council(s) to include Support Cost Recharges and Contract Variations.</i></p>	

<p><b>Monitoring the Performance of Strategic Partnerships</b>  <i>Non-opinion review to assess how the Council monitors performance and risks of strategic partnerships.</i></p>	
<p><b>Publica Performance Information</b>  <i>Analysis of performance information presented to the Council.</i></p>	
<p><b>Recovery Investment Strategy</b>  <i>Support to the Council on the Recovery Investment Strategy.                      Scope to be confirmed.</i></p>	
<p><b>Emergency Planning</b>  <i>Review of The Council's Emergency Planning. Audit to include procedures, co-ordination team stand-up / stand-down triggers, communication within teams etc to gain assurance that the framework is strong to support communities when any future emergency occurs.</i></p>	
<p><b>Marketing Cheltenham</b>  <i>Review to ensure the governance and accountability of Marketing Cheltenham are appropriate and transparent.</i></p>	
<p><b>Ubico</b>  <i>Service Improvement Programme.                      Scope to be confirmed.</i></p>	
<p><b>Return to Work (following the easing of Lockdown Restrictions)</b>  <i>Assessment of the approach for ensuring the safety of officers when returning to the offices as and when restrictions are lifted.</i></p>	
<p><b>Planning Enforcement</b>  <i>Follow-Up to 2020/21 audit</i></p>	
<p><b>Business Grant Post Payment Assurance</b>  <i>Post payment assurance on business grants applied for, and paid, during December 2020 – March 2021.</i></p>	
<p><b>Covid-19 Related Assurance</b>  <i>Provision to allow for any assurance work required in respect of Covid-19.</i></p>	
<p><b>Further requested assurance / advisory / support work, as required which could include any Covid-19 related matters</b></p>	
<p><b>Other Audit Involvement</b></p>	
<p><b>Management</b>  <i>Preparation of IA Monitoring Reports and preparation and attendance at Audit, Compliance and Governance Committee. Annual Audit Planning. Attendance at Governance and Risk Groups. High level programme monitoring. Liaison meetings with CFOs and Management Teams.</i></p>	

**Follow-Up Audits**

*Follow-Up of Previous Year's recommendations.*

*Follow-Up audit of all High Priority Recommendations.*

**Grant Certification**

*Review (income and expenditure) and certification of Disabled Facilities Grants and Additional Funding, ensuring finding requirements have been met.*

**Working with the Counter Fraud Unit**

*Provision to ensure collaborative working with the CFU and to ensure control weaknesses, identified during CFU activity, are being actioned. Regular liaison meetings.*

**Contingency**

*Provision for new work based on emerging risks and Investigations.*

# Cheltenham Borough Council

## Internal Audit Charter 2021/22

# The Internal Audit Charter

## Purpose

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

## Provision of Internal Audit Services

Internal Audit is provided by SWAP Internal Audit Services (SWAP). This Charter forms part of the legal agreement between SWAP partners and should be read in conjunction with the Service Agreement and other key documents including the Data Sharing Protocol.

The budget for the provision of the internal audit service is determined by CBC, in conjunction with the SWAP Members Meeting. General financial provisions are laid down in the legal agreement, including the level of financial contribution, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment which is reviewed each year by the S151 Officer in consultation with the Chief Executive of SWAP.

## Role of Internal Audit

The Accounts and Audit (England) Regulations, state that: *“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance.”*

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

## Responsibilities of Management, the Audit, Compliance and Governance Committee and of Internal Audit

### **Management<sup>1</sup>**

Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Council’s Chief Executive and the Audit, Compliance and Governance Committee.

Management is responsible for establishing (including the tracking and implementation of Internal Audit recommendations) and maintaining internal controls, including proper accounting records and other management information and is also responsible for the appropriate and effective management of risk.

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<sup>1</sup> In this instance Management refers to the Senior Management Team

### ***Audit, Compliance and Governance Committee<sup>2</sup>***

The Audit, Compliance and Governance Committee is responsible for approving the scope of internal audit work, receiving communications from the SWAP Assistant Director (as Chief Audit Executive<sup>3</sup>) on the progress and outcomes of work undertaken, reviewing the independence, objectivity, performance, professionalism and effectiveness of the Internal Audit function, and obtaining reassurance from the SWAP Assistant Director as to whether there are any limitations on scope or resources.

### ***Internal Audit***

The SWAP Assistant Director is responsible for determining the scope, except where specified by statute, of internal audit work and for recommending action to be taken on the outcome of, or findings from, their work designed to provide assurance and add value.

Internal audit is responsible for operating under policies established by management in line with good practice. A range of SWAP policies exist to underpin staff and service development, including to seek out and implement new innovative audit techniques and increase technological solutions to ensure provision of an efficient and effective service and consolidate the role of Trusted Advisor.

Internal audit is responsible for conducting its work in accordance with the mandatory elements of the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. SWAP has been independently assessed and found to conform with the Standards.

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

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

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

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

\*The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

The Chief Executive for SWAP and Assistant Director also report to the Section 151 Officer, and to the Audit, Compliance and Governance Committee as set out below.

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<sup>2</sup> In this instance Audit, Compliance and Governance Committee relates to "The Board" referred to in the PSIAS.

<sup>3</sup> PSIAS refers to the 'chief audit executive'.

The Assistant Director is the first and primary contact point for the organisation on matters relating to the Audit, Compliance and Governance Committee, including the provision of periodic reports, as per company policy. The Assistant Director is also responsible for design, development and delivery of audit plans, subject to agreement of CBC.

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

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

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

- reviewing the reliability and integrity of financial and operating information used for operational and strategic decision making, and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management and communication of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls regarding the objectives of the organisation and its services;
- reviewing systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the organisation complies;
- reviewing, as appropriate, the means of safeguarding and verifying assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether they are being carried out as planned, with performance and accountabilities established;
- reviewing the operations of the organisation in support of their anti-fraud and corruption policy (and investigating where necessary), ethical expectations and corporate, social and environmental values and responsibilities; and
- at the request of management, internal audit may provide consultancy services (e.g. data analytics, benchmarking, strategic/project reviews/investigations etc) provided that:
  - independence is not compromised;
  - necessary skills exist to conduct the assignment, or which can be obtained without undue cost or delay;
  - the assignment scope is clearly defined and management can resource the work; and
  - there is clarity that the activity being undertaken is not internal audit work although the outcomes may contribute to the annual opinion.

### **Planning and Reporting**

SWAP will submit an internal audit plan to Management and the Audit, Compliance and Governance Committee for approval, setting out the recommended scope of work and which will be developed with reference to current and emerging risks. The plan will be reviewed quarterly to ensure it remains relevant and adequately resourced.

SWAP will carry out the work as agreed, report the outcomes and findings both during and on completion of reviews, and make recommendations on action to be taken to the appropriate officers and copied to the S151 Officer. SWAP will present a regular summary of their work to Management and the Audit, Compliance and Governance Committee, including assessing the organisation's implementation of previous recommendations along with any significant, persistent and outstanding issues.

Internal audit reporting will normally comprise a brief presentation to relevant officers and accompanied by an appropriately detailed written report, with the format tailored as necessary to the nature of the work.

The Assistant Director will submit an annual report to Management and the Audit, Compliance and Governance Committee providing an overall opinion of the status of risk and internal control within CBC based upon, and limited to, internal audit activity conducted during the year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and Assistant Director (Chief Audit Executive) have the unreserved right to report directly to the Leader of the Council, the Chair of the Audit, Compliance and Governance Committee, the Chief Executive Officer and the External Audit Manager.

***Revised, March 2021***





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## Cheltenham Borough Council

### Audit, Compliance and Governance Committee – 21<sup>st</sup> April 2021

#### Internal Audit Progress Report

<b>Accountable member</b>	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
<b>Accountable officer</b>	Paul Jones, Executive Director – Finance and Assets
<b>Ward(s) affected</b>	<b>All</b>
<b>Key/Significant Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>The Council must ensure that it has sound systems of internal control that facilitate the effective management of all the Council’s functions. The work delivered by 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>
<b>Recommendations</b>	<b>The Audit, Compliance and Governance Committee considers the progress report and makes comment on its content as necessary</b>
<b>Financial implications</b>	<p>There are no financial implications arising from the report</p> <p><b>Contact officer: Gemma Bell, Head of Finance (Deputy Section 151 Officer)</b>  <a href="mailto:Gemma.Bell@cheltenham.gov.uk">Gemma.Bell@cheltenham.gov.uk</a>, 07341 780601</p>
<b>Legal implications</b>	<p>None specific arising from the report recommendation</p> <p><b>Contact officer: One Legal</b>  <a href="mailto:legal.services@tewkesbury.gov.uk">legal.services@tewkesbury.gov.uk</a>, 01684 272012</p>
<b>HR implications (including learning and organisational development)</b>	<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><b>Contact officer: Julie McCarthy, HR Manager – Operations</b>  <a href="mailto:Julie.McCarthy@publicagroup.uk">Julie.McCarthy@publicagroup.uk</a>, 01242 264355</p>
<b>Key risks</b>	That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.
<b>Corporate and community plan</b>	<i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It</i>

<p><b>Implications</b></p>	<p><i>helps an organisation to publish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Chartered Institute of Internal Auditing UK and Ireland).</i> Therefore, the internal audit activity impacts on corporate and community plans.</p>
<p><b>Environmental and climate change implications</b></p>	<p>Relevant to particular audit assignments and will be identified within <i>individual reports</i>.</p>
<p><b>Property/Asset Implications</b></p>	<p>There are no specific Property/Asset Implications arising from the content of the report</p> <p><b>Contact officers: Paul Jones, Executive Director – Finance and Assets</b> <a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a>, 01242 264365</p>

## 1. Background

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- 1.1** Due to Covid-19 the Annual Internal Audit Plan for 2020/21 was revised and approved by this Committee on 11<sup>th</sup> 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.

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

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# Cheltenham Borough Council

## Report of Internal Audit Activity

April 2021

# Contents

The contacts at SWAP in connection with this report are:

**David Hill**

Chief Executive

Tel: 01935 848540

[david.hill@swapaudit.co.uk](mailto:david.hill@swapaudit.co.uk)

**Lucy Cater**

Assistant Director

Tel: 01285 623340

[lucy.cater@swapaudit.co.uk](mailto:lucy.cater@swapaudit.co.uk)

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Appendix D – High Priority Findings and Agreed Actions

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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

<b>No</b>	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.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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.

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

**Definitions of Risk**

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

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
<b>2019/20 Audits in Draft / In Progress at Annual Opinion</b>									
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		Final Report	Reasonable	1		1		See Appendix C
ICT	Incident Management		Final Report	Reasonable	4		2	2	Reported in January

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
<b>2020/21 Audit Plan</b>									
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								
	<ul style="list-style-type: none"> <li>Council Tax and National Non-Domestic Rates</li> <li>Housing and Council Tax Benefits</li> </ul>		Final Report	Substantial	1			1	See Appendix C
Key Financial Control	Core Financials								
	<ul style="list-style-type: none"> <li>Accounts Payable</li> </ul>		In Progress						
	<ul style="list-style-type: none"> <li>Accounts Receivable</li> </ul>								
	<ul style="list-style-type: none"> <li>Main Accounting</li> </ul>		Draft Report						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
	<ul style="list-style-type: none"> <li>Payroll</li> </ul>		In Progress						
	<ul style="list-style-type: none"> <li>Treasury Management and Bank Reconciliation</li> </ul>		Final Report	Substantial	1			1	Reported in January
Key Financial Control	Systems Administration		Draft Report						
Key Financial Control	Human Resources		In Progress						
Key Financial Control	Other Support Service provided by Publica <ul style="list-style-type: none"> <li>Health and Safety (Of Staff)</li> </ul>		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		In Progress						
ICT	Automatic Back-Up of System Data		In Progress						
Governance	Risk Management		Deferred						Audit deferred to 2021/22
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	Reported in January
Operational	Planning Applications		Final Report	Substantial	-				See Appendix C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						Operational	Planning Enforcement		
Operational	Post Payment Assurance – Small Business Grants		Final Report	Substantial	-				See Appendix C
Operational	Authority’s Response to Covid-19		In Progress						
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 Business Continuity – Final Report – March 2021

### Audit Objective

The objective of the audit is to ensure that the organisation has planned for and can maintain an agreed level of business continuity to priority services in the event of a critical ICT incident.

Assurance Opinion		Agreed 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	Number	<p>Over reliance on the ICT service to maintain Corporate Business Continuity resulting in a loss of organisation wide service continuity in the event of a disruption to ICT services.</p>	<p><b>Medium</b></p>
		Priority 1	0		
		Priority 2	1		
		Priority 3	0		
		Total	1		

### Key Findings



The ICT Business Continuity Plan (BCP) details the critical applications required to restore ICT services during an incident. Whilst Business applications are also included, it is notable that Business Applications are grouped together within the plan, within a timeframe of recovery that may not meet the Council's recovery requirements. There is also some inconsistency within the plan as to recovery timescales. The Plan should include specific detail on critical information systems recovery requirements. The ICT Audit and Compliance Manager has advised us that a Data Audit is being completed, which will assist in the documentation of an Asset Inventory, which will then be used to work with Service Managers to document recovery information in BCP and recovery plans. We approve of this approach and recommend it is completed as a priority.



Publica Group deliver ICT services to Cheltenham Borough Council and currently use a standard Publica BCP template for Business Continuity Management. A new BCP template is currently being developed which will require the ICT Service to review and update their existing plans.

### Audit Scope

The scope of the audit included a review of:

- Critical ICT services have been identified and fully documented within Business Continuity Plans.
- Expectations set by the ICT service to the wider organisation in terms of resources and availability of applications is documented and understood.
- Reliance on third party service providers has been identified and documented in the ICT plan.
- Major services have short term recovery strategies which reference the complete loss of the ICT service.
- Critical ICT incidents affecting services are recorded and formally investigated and lessons learned documented.
- The ICT Service Continuity Plan is tested periodically and kept up to date.

### Further Information

Business Continuity planning is essential to an organisations ability to continue to deliver vital services should an event occur to disrupt normal processing. We suggest CBC considers how it can continue to operate whilst ICT systems are unavailable and build these activities into the service BCPs.

An audit of the ICT Backup and Recovery controls is planned to be undertaken this year to further assess and provide additional assurance of the preparedness of the organisations to be able to recover from incidents of varying size and disruption.

# Council Tax, NNDR, Housing Benefit and Council Tax Support – Final Report – February 2021

## Audit Objective

To ensure key financial system controls are operating effectively for Council Tax, Non-Domestic Rates, Housing Benefits and Council Tax Support, and that opportunities for error, fraud or corruption are minimised.

## Assurance Opinion



Substantial - A sound system of governance, risk management and control exist, 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
<b>Total</b>	<b>1</b>

## Risks Reviewed

- The Council does not collect all Council Tax and Business Rates due as a result of errors, omissions or fraud leading to financial loss or reputational damage.
- Housing Benefits and Council Tax Support claims are not processed correctly, completely and on a timely basis as a result of errors, omissions or fraud leading to financial loss or reputational damage to the Council.

## Assessment

Low

Low

## Key Findings



The review of system access and permissions for the Revenues and Benefits (Civica) system, identified user accounts of employees that had left CBC employment, but remained live in the system. We also identified a small number of sub-groups with potential 'update' permissions aligned to role-profile groups which should only provide users with 'read-only' access. The issues have been reported to the Service and were promptly investigated and corrected. Generally, access controls are good and there is infrequent change to users or permissions, however, whilst associated risks are low, it is recommended periodic reviews of access and permissions are conducted to ensure issues like these are detected and corrected in the future.



During an especially challenging year for the Revenues and Benefits Service area, key control processes have continued to be performed. Financial reconciliations of the Council Tax, Non-Domestic Rates (NDR) are performed frequently, completed accurately and independently checked. Items in suspense are regularly checked and cleared. Due to the pandemic, some variance reports, including arrears management were paused at periods during the year, however, these processes restarted and actioned later in the year. The Benefits team experienced significant increases in workload regarding Housing Benefits and Council Tax Support claims, leading to an initial backlog but has subsequently been cleared. Our review did not highlight any significant issues in these controls.

## Audit Scope

This audit reviewed key control processes in the following areas.

### Council Tax and Business Rates

- Financial reconciliations and variance reporting
- Management of user access and use of generic accounts.
- Follow up of last year's recommendations

### Housing Benefit and Council Tax Support

- Financial reconciliations and variance reporting
- Management of user access and use of generic accounts.

## Other Information

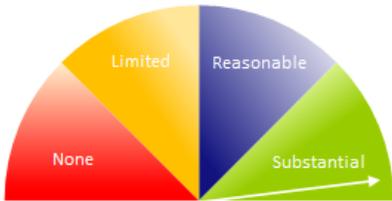
We have also taken assurance from regular substantial audits received over previous years, together with the work undertaken by the external auditors, Grant Thornton. Due to the pandemic, no progress was able to be made on a low priority recommendation from the 2019/20 Audit, and therefore this will be followed up in the 2021/22 audit.

## Planning Applications – Final Report – March 2021

### Audit Objective

The objective of the audit is to review the revised arrangements in place for the assessment and determination of planning applications in response to COVID-19, to assess whether they are sufficiently robust and efficient to replace previous working methods.

### 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 Agreed Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
<b>Total</b>	<b>0</b>

### Risk Reviewed

If the planning application determination process is not robust, third parties may seek to judicially review decisions or applicants may successfully appeal against decisions, leading to reputational and financial risk to the Council.

### Assessment

Low

### Key Findings



Data provided demonstrates that since COVID-19, there has been a c12% reduction in the number of planning applications received. Application sample testing identified three applications exceeding the stated determination deadlines in 2019 compared to one in 2020. A c15% reduction in the average determination time was also identified.

We were notified of concerns regarding photos and virtual meetings not being as effective as face to face/site visits. However, our testing confirms application processing is sound, time and cost savings are being achieved by maximising working from home and ensuring site visits are only made when deemed essential (within COVID-19 guidelines) and after a risk assessment has been completed.

The planning team have continued to provide their full range of services despite the changes and challenges of COVID-19 whilst complying with agreed national and local regulations.



We noted one formal decision notice could not be obtained via Public Access due to an administrative error, this was rectified during our fieldwork. The risk of applications exceeding deadlines continues to be mitigated with the IT system's RAG rating function, senior management oversight and monitoring procedures.

### Audit Scope

We reviewed a sample of planning applications determined prior to COVID-19 process changes (mid-March to mid-September 2019) and planning applications determined after changes to process were made (mid-March to mid-September 2020). This included from the application process through to the appeal process.

The audit covered controls in the following areas:

- Effectiveness of IT systems
- Policies/procedures
- Risk Assessments
- Consultation/determination process
- Monitoring arrangements

### Additional Information

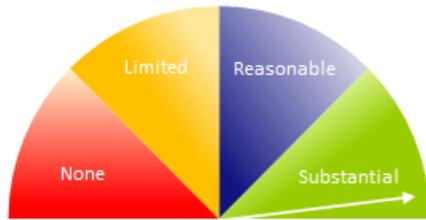
We can confirm our examination of officer delegated decisions were in accordance with the Scheme of Delegation as outlined in Part 3D, Appendix D, of the Constitution and that a central record is maintained by Democratic Services which is accessible to appropriate officers.

## Business Grants Post Payment Assurance – Final Report – February 2021

### Audit Objective

To provide assurance that COVID-19 related business grants were paid to eligible businesses, in accordance with Government guidance

### 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	0
<b>Total</b>	<b>0</b>

### Risks Reviewed

If sufficient checks and controls are not in place, ineligible recipients may receive COVID-19 business grants resulting in potential financial, fraud and reputational risk to the Council.

### Assessment

Low

### Key Findings

In March/April 2020, we assisted the Revenues & Benefits service area in undertaking pre-payment checks to ensure grants were awarded appropriately. Work included reviewing information held on Companies House, to confirm company numbers and owners, and that businesses were active on the prescribed date. VAT registration numbers and rateable values were verified to ensure they agreed with information held on Council systems.



We have recently undertaken post payment assurance checks and can confirm that no significant findings were made as a result of this work. All COVID-19 business grants tested were found to have been paid to eligible businesses, in accordance with Government guidance.

We can confirm post payment checks have been and continue to be undertaken by the Counter Fraud Team to identify potential fraudulent claims and then subsequent recovery actions where required. We have taken this assurance as well as the post payment assurance checks we have undertaken to support our overall opinion.

### Audit Scope

A review of a sample of high value (£10,000 - £25,000) COVID-19 business grants payments was carried out to ensure that the payments were made to eligible recipients, in line with Government guidance.

The payments tested were made between 30/03/2020 and 06/04/2020.

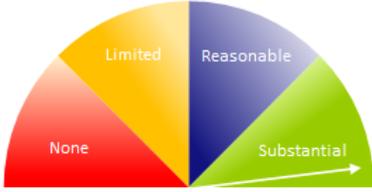
### Conclusion

We conclude that robust and effective processes have been developed in a short space of time to ensure that grants are paid to qualifying businesses in these trying times. Where fraudulent claims are identified, processes are in place to recover the funds.

## 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	Number of Actions	Risks Reviewed		Assessment
		Priority	Number	
 <p>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.</p>	Priority 1	0	1. Inadequate treasury management arrangements in place, resulting in financial loss.	Low
	Priority 2	0	2. If bank reconciliations are not regularly carried out, there is a risk of inaccurate financial reporting, loss of income and fraud.	Low
	Priority 3	1	3. If previous recommendations made are not implemented, the organisation may be open to unnecessary risk exposure	Low
	Total	1		

### 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 31<sup>st</sup> 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](http://www.swapaudit.co.uk/audit-framework-and-definitions))

# High Priority Findings and Agreed Actions

# APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update April 2021
ICT Business Continuity 44817	2	It is important the ICT Service have a full understanding of each Service Area and the wider organisation's business requirements to ensure a structured recovery in the event of a disruption to service. Business applications have been grouped together and documented in the ICT BCP plans, however there are some inconsistencies between the criticality of Service area's tolerable downtime, and the potential restoration of those services by the ICT team. There are also inconsistencies within the plan itself whereby it is stated Business Applications will be restored within 48 hours, but then also state recovery will be within 1 week to 10 days.	<ol style="list-style-type: none"> <li>1. Work on the Asset Inventory has already commenced and is to be completed.</li> <li>2. A revised BCM &amp; Emergency Plans template is being introduced by CBC DEPLO / ICT Audit &amp; Compliance Manager.</li> </ol>	<p>Dec 2021</p> <p>Feb 2021</p>	
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	

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update 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	Policy approved by Cabinet 26th January 2021. New version published on website.  Recommendation complete
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

# High Priority Recommendation Follow-Up

# APPENDIX D

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update April 2021
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	Publica have included 'Get commissioning right' as one of the four priorities in their 2020-22 Business Plan, including Procurement in the supporting Action Plan (Strategic Action 8). Good progress has so far been made towards outstanding recommendations from both the Procurement and the Procurement and Contract Management audits. The recommendation made to Publica to review and revise the Procurement and Contract Management Strategy is due for completion in May 2021.
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
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

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update April 2021
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	Self-service for sickness absence reporting for managers was implemented in January/February 2020.  Recommendation complete
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.

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update April 2021
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 and is likely for phase 1 to be completed by the end of July 2021.</p> <p>Further follow-up required</p>
Property Use of Contractors 42872	2	<p>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.</p>	<p>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.</p>	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> <p>This follow up audit is currently in progress.</p>

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update April 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 to 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> <p>This follow up audit is currently in progress.</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> <p>This follow up audit is currently in progress.</p>

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update April 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. This follow up audit is currently in progress.</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. 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>

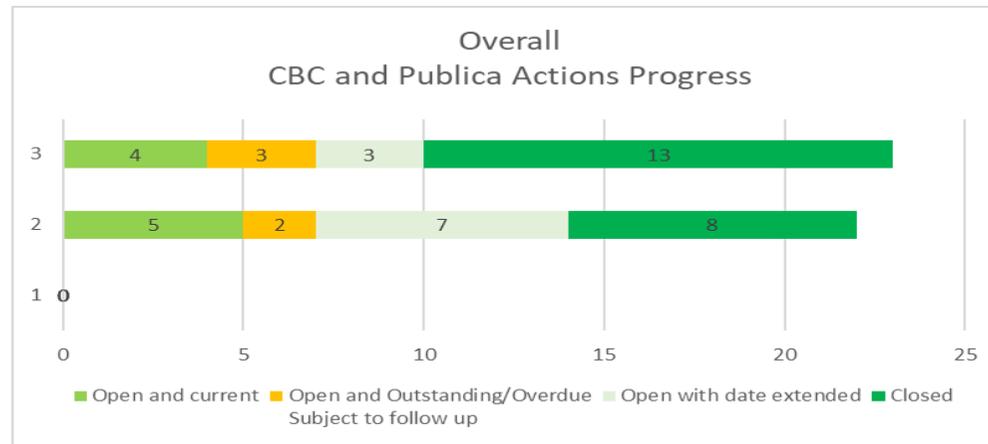
Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update April 2021
Procurement 41181	2	A copy of the approved contract must be held on In-Tend for all contracts over £5,000, as well as the quotes used during the tendering process, to demonstrate best value and ensure there is a complete central record.	Agreed, subject to a review of the contract value requirements.	Dec 2019	<p>Any documentation that is present on In-Tend will relate to the formation of a contract, or a contract already in place. All other documentation relating to the tendering process will be kept on Google Drive.</p> <p>A sample of contracts was taken from the current contracts database, and we were able to confirm that they were all on In-Tend.</p> <p>Recommendation Closed.</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	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

Audit Name	Priority	Agreed Actions	Agreed Action	Due Date	Update April 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 &amp; 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	14	14	28
Open and current		2	2	4
Open and Outstanding/Overdue Subject to follow up	0	1	0	1
Open with date extended	0	5	2	7
Closed	0	6	10	16

PUB ONLY	Priority			Total
	1	2	3	
TOTAL in Audit Period (From 4/19)	0	8	9	17
Open and current	0	3	2	5
Open and Outstanding/Overdue Subject to follow up	0	1	3	4
Open with date extended	0	2	1	3
Closed	0	2	3	5





**Cheltenham Borough Council**

**Audit, Compliance and Governance Committee – 21 April 2021**

**Counter Fraud Unit Report and**

**Proceeds of Crime and Anti-Money Laundering Policy**

<b>Accountable Member</b>	Cabinet Member Corporate Services, Councillor Alex Hegenbarth
<b>Accountable Officer</b>	Paul Jones Executive Director Finance and Assets <a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a>
<b>Report Author</b>	Emma Cathcart Counter Fraud Unit Manager 01285 623356 <a href="mailto:Emma.Cathcart@cotswold.gov.uk">Emma.Cathcart@cotswold.gov.uk</a>
<b>Ward(s) affected</b>	All indirectly
<b>Key/Significant Decision</b>	No
<b>Executive summary</b>	<p>The purpose of the report is to provide the Audit, Compliance and Governance Committee with assurance over the counter fraud activities of the Council. The Counter Fraud Unit will continue to provide Audit, Compliance and Governance Committee with direct updates biannually.</p> <p>Work plans are presented detailing progress and results for consideration and comment as the body charged with governance in this area.</p> <p>The report also provides the annual update in relation to the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.</p> <p>The report also provides the Audit, Compliance and Governance Committee with an updated Proceeds of Crime and Money Laundering Policy.</p>
<b>Recommendations</b>	<p><b>That the Audit, Compliance and Governance Committee:</b></p> <ul style="list-style-type: none"> <li>a) <b>Notes the report and the work plan at Appendix 2 and makes comment as necessary.</b></li> <li>b) <b>Approves and adopts the Proceeds of Crime and Money Laundering Policy at Appendix 3.</b></li> <li>c) <b>Authorises the Executive Director Finance and Assets (Chief Finance Officer) to approve future minor amendments to the Policy in consultation with Finance, One Legal and the Counter Fraud Unit.</b></li> </ul>

<b>Financial implications</b>	<p>The report details findings generated by the Counter Fraud Unit.</p> <p><b>Contact Officer: Paul Jones, Executive Director Finance and Assets</b>  <a href="mailto:Paul.Jones@cheltenham.gov.uk">Paul.Jones@cheltenham.gov.uk</a></p>
<b>Legal implications</b>	<p>The Proceeds of Crime and Money Laundering Policy sets out the statutory requirements that the authority must consider and adhere to when undertaking relevant activities.</p> <p>The Authority is also required to ensure that it complies with the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be recorded appropriately in the Central Register.</p> <p><b>Contact officer: One Legal</b>  <a href="mailto:Legalservices@tewkesbury.gov.uk">Legalservices@tewkesbury.gov.uk</a></p>
<b>HR implications (including learning and organisational development)</b>	<p>The HR team continue to work closely with the Counter Fraud Unit on all internal investigations.</p> <p>The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.</p> <p><b>Contact officer: Julie McCarthy, HR Operations Manager</b>  <a href="mailto:Julie.McCarthy@publicagroup.uk">Julie.McCarthy@publicagroup.uk</a> 01242 264355</p>
<b>Key risks</b>	<p>The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds. The Counter Fraud Unit provides assurance in this area.</p> <p>Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption.</p> <p>If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.</p> <p>The RIPA and IPA Policies demonstrate the Council's consideration of necessity, proportionality and public interest when deciding on surveillance activity or the decision to obtain personal communication data. The application of the Policies and Procedures, to govern surveillance and the obtaining of personal communications data, minimises the risk that an individual's human rights will be breached. Furthermore it protects the Council from allegations of the same.</p> <p>The Proceeds of Crime and Money Laundering Policy mitigates the risk that the Council will fail to fulfil its legal obligations.</p>
<b>Corporate and community plan Implications</b>	<p>In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor.</p> <p>The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.</p>
<b>Environmental and climate change implications</b>	N/A
<b>Property/Asset Implications</b>	<p>There are no property implications associated with this report.</p> <p><b>Contact officer: Dominic Stead, Head of Property Services</b>  <a href="mailto:dominic.stead@cheltenham.gov.uk">dominic.stead@cheltenham.gov.uk</a></p>

## 1. COUNTER FRAUD UNIT REPORT Page 103

- 1.1. The Audit, Compliance and Governance Committee oversees the Council's counter fraud arrangements and it is therefore appropriate for the Committee to be updated in relation to such activity.
- 1.2. Work plans have been agreed with the Executive Director Finance and Assets and the Council's Management. The Audit, Compliance and Governance Committee, as the body charged with governance in this area, is presented with a copy of the work plan for information.
- 1.3. Attached at Appendix 2 is a copy of the work plan for 2020/2021.
- 1.4. The Counter Fraud Unit (CFU) has been supporting work streams created as a consequence of the pandemic by providing advice relating to fraud risk and abuse, most significantly in relation to the Business Grant Schemes. The CFU have assisted with the application and verification processes of all schemes to date, the team has received 56 referrals to review resulting in the following:
- 23 cases that were confirmed as eligible and the grants were paid.
  - 9 cases of loss prevention, in that the grant monies were not paid, totalling £60,000 (1 classed as fraudulent attempt).
  - 10 cases of post payment recovery totalling £94,002 (5 classed as fraud) have been identified and invoices have been raised. Of this £94,002, £52,668 has been repaid.
  - 3 cases are still under review and 11 cases have been referred back to the team with recommendations for service area decisions.
  - The CFU are working with SWAP (Internal Audit) in relation to post payment activities for each scheme and have assisted in the production of the Fraud Risk Assessment returns to the Department for Business, Energy & Industrial Strategy (BEIS). A comprehensive template has been provided by BEIS to ensure a consistent approach to fraud risk assessment in this area and requires details relating to how these are mitigated and managed.
- 1.5. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.
- Matches are awaited via the Cabinet Office's National Fraud Initiative which has collated and compared business grant data nationwide.
- 1.6. A huge number of cases involving serious offences against animals continues to be submitted from the RSPCA's Inspectorate and this is expected to increase as the financial and psychological consequences of the pandemic continue to impact on people's ability to look after their animals. The CFU is actively collaborating with the RSPCA proposing better working relationships with the Partner Councils, to include new data sharing agreements, as the number of referrals increase.
- 1.7. In addition to the work carried out under the annual work plan attached at Appendix 2, as a dedicated investigatory support service, the CFU undertakes a wide range of enforcement work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work.
- 1.8. Summary of work:
- Single Point of Contact for Department for Work and Pensions (DWP) referrals. During 2020/2021, 45 Local Authority Information Exchange Forms have been received or referred to DWP for action.
- Undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support).

During 2020/2021, 40 cases were referred for investigation and 45 cases were closed or rejected. This resulted in 2 Criminal Sanctions (Penalties £1,048) and £2,096 of

recovered Council Tax Support Page 104. The work also resulted in two joint prosecutions with the Department for Work and Pensions. Both defendants pleaded guilty. One received a 6 month Community Order, a 6 month Curfew Order and was ordered to pay costs of £85. The defendant had fraudulently claimed £2,156 in Council Tax Support. The second defendant received a 12 month Community Order, 15 days Rehabilitation Activity Requirement and was ordered to pay a £10 Fine. The defendant had fraudulently claimed £2,546 in Council Tax Support. In addition overpayments of Housing Benefit exceeding £28,000 have been generated.

- During 2020/2021 a further 31 cases have been referred by Officers from across the Council. This includes 4 disciplinary investigations referred by the HR Team. 3 cases have been closed and of these closed cases, 1 member of staff was dismissed for gross misconduct. The other 2 cases resulted in reports with recommendations for management consideration only.
- Work with Cheltenham Borough Homes 2020/2021:
  - 151 referrals received requesting checks for homelessness, right to buy, succession or housing applications. In relation to right to buy applications, additional checks have been introduced to ensure that any resultant benefit issues are addressed.
  - 40 referrals have been made relating to housing and tenancy fraud such as abandonment, illegal succession, subletting, false housing applications, right to buy fraud.
  - There have been no prosecutions during this period. One case of Application Fraud was originally listed for hearing in April 2020 but due to the pandemic and related travel restrictions has been adjourned for hearing in April 2021.
  - Two civil cases were successfully heard in relation to false succession claims; both properties were recovered and costs of £424.50 were awarded.
  - 3 cases resulting in the termination of tenancy and return of the property resulting in £279,000 loss avoidance. The NFI annual report estimated the figure to be £93,000 per property recovered based on average four year fraudulent tenancy – this includes temporary accommodation for genuine applicants, legal costs to recover the property, re-let costs and rent foregone during the void period between tenancies.
  - Full tenancy audit, 4,544 properties. The initial review of household data which forms part of the tenancy audit has been completed. Household data is being compared with that held by Revenues and Benefits to identify any anomalies relating to occupancy – this may then highlight discrepancies with council tax discounts and exemptions, benefit entitlement or tenancy matters. All updates to Council Tax Support claims or Council Tax accounts have been completed. The outcomes will be followed up accordingly to review whether any processes can be introduced or improved to continue the flow of correct occupancy data between CBH and the Revenues and Benefits Team.

## **2. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) / INVESTIGATORY POWERS ACT 2016**

- 2.1. The Council's Policies are based on the legislative requirements of these Acts and the Codes of Practice relating to directed surveillance and the acquisition of communications data.
- 2.2. The Policies were reviewed and presented to the Audit, Compliance and Governance Committee in January 2020; these were adopted by Cabinet in February 2020.
- 2.3. The Council must have a Senior Responsible Officer and Authorising Officers to approve any applications for surveillance or the use of a Covert Human Intelligence Source, before the Court is approached. The Senior Responsible Officer is the Chief Executive, Gareth Edmundson and the Authorising Officers are the Executive Director People and Change, Darren Knight and the Director of Environment, Mike Redman.
- 2.4. All applications for communications data are made online via the National Anti-Fraud Network (NAFN) which acts as the single point of contact for Councils. There is a requirement for the

Council to nominate a Designated Senior Officer who will confirm to NAFN that the Council is aware of any request and approves its submission. This role is undertaken by the Counter Fraud Unit Manager and the Deputy Counter Fraud Unit Manager.

- 2.5. There have been no RIPA applications made by the Council during 2020/2021 and no applications for communications data. There has been one Non-RIPA application made during 2020/2021 which relates to overt activity.
- 2.6. The Council takes responsibility for ensuring its procedures relating to surveillance and the acquisition of communications data are continuously improved and all activity is recorded.
- 2.7. The Policy relating to the use of the internet and social media in enforcement and investigations has been reviewed by Governance Group and is to be presented to the Executive Leadership Team for final approval. It will then be presented to the Audit, Compliance and Governance Committee.

### 3. **MONEY LAUNDERING AND PROCEEDS OF CRIME POLICY**

- 3.1. The Policy defines a best practice approach to dealing with money laundering obligations and suspicious activity reports.
- 3.2. Proceeds of Crime and Money Laundering legislation govern the responsibilities of individuals and organisations.
- 3.3. The Policy and the related Officers Procedural Guidance addresses the way in which the Council, its employees and its Members can formally discharge these obligations.
- 3.4. The nominated Money Laundering Reporting Officer is the Officer appointed under section 151 of the Local Government Act 1972, in the case of the Council, this is the Executive Director Finance and Assets.

## Risk Assessment

## Appendix 1

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

Department / Contact	Task	Dates / Notes
Corporate / Strategy	Delivery of two reports for Audit, Compliance and Governance Committee	March (cancelled) and November
Corporate / Strategy	RIPA Coordinator Role - Review of Policies / annual report to Members / advisory role for staff	Annual update - November IPCO Inspection complete and report issued SRO & AO roles reviewed and IPCO updated Draft Internet and Social Media Investigations Policy and Procedure to Governance Group for consideration
Corporate / Strategy	Home Office Serious and Organised Crime Checklist and accompanying work plan	To be transferred to 2021/2022 work plan (Request re consideration in Licensing)
Corporate / Strategy	Home Office Bribery and Corruption Assessment Template and accompanying work plan	To be transferred to 2021/2022 work plan.
Corporate / Strategy	Staff and Members Fraud Awareness Sessions	Members N/A / Staff online – to be delivered 2021/2022
Corporate / Strategy	Development / Review of Fraud Response Plan	To be transferred to 2021/2022 work plan
Corporate / Strategy	Development of Service Specific Fraud Risk Register	To be transferred to 2021/2022 work plan
Corporate / Strategy	Development of Fraud awareness literature for staff and members	Completed - ELT approval pending
Corporate / Strategy	Development of RTB / debt recovery process	To be transferred to 2021/2022 work plan.
Corporate / Strategy	RIPA, IPA, CPIA, PACE, Disclosure Training - SRO & AO's / Enforcement Officers	Details issued to Service Managers requesting notification of staff requiring training
Corporate / Strategy	Collation and Publication of Fraud Transparency Data	Published - June
Procurement	Assist with review of Procurement and Contract Strategy	Fraud section drafted and issued to Procurement for inclusion in Strategy. Fraud training issued to all staff with Procurement and One Legal
Procurement	Supplier payment review	To be transferred to 2021/2022 work plan
SWAP	Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest	Draft issued to Governance Group for consideration. Further consideration required with HR and One Legal
SWAP	Review of the Gifts and Hospitality Policy and Procedure	Approval received from Governance Group. Learning and Development to input revised form and process into LMS for staff use

Department / Contact	Task	Dates / Notes
HR	Review of HR Recruitment and Vetting Policy and Procedures	To be transferred to 2021/2022 work plan
Policy	Review Whistle-Blowing Policy	To be transferred to 2021/2022 work plan
Policy	Drafting / consultation / adoption of Money Laundering Policy	Complete – Presented to Audit, Compliance and Governance Committee for approval April 2021
Revenues and Benefits	NNDR empties on a rolling review	To be transferred to 2021/2022 work plan
Revenues and Benefits	CTax LTEs and C1 reviews	To be transferred to 2021/2022 work plan
Revenues and Benefits	Holiday Let / Airbnb review	To be transferred to 2021/2022 work plan
Revenues and Benefits	NFI - SPD / Electoral Register	Complete, pending results
Revenues and Benefits	SMI Review (sample 20)	To be transferred to 2021/2022 work plan
Revenues and Benefits	SBRR Review	No longer required
Revenues and Benefits	Business Grants Post Payment Assurance	Ongoing
CBH / CBC	Review of Housing List	To be transferred to 2021/2022 work plan

Proceeds of Crime and Anti-Money Laundering Policy

<b>Version Control:</b>	
<b>Document Name:</b>	Proceeds of Crime and Anti-Money Laundering Policy
<b>Version:</b>	1.0
<b>Responsible Officer:</b>	
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**Revision History**

Revision date	Version	Description

**Consultees**

Internal	External

**Distribution**

Name

Proceeds of Crime and Anti-Money Laundering Policy

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## Proceeds of Crime and Anti-Money Laundering Policy

### 1. INTRODUCTION

- 1.1 The legislation in respect of Money Laundering is set out in the following:
- Proceeds of Crime Act 2002 as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015;
  - The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and The Money Laundering and Terrorist Financing (Amendment) Regulations 2019;
  - The Terrorism Act 2000 as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007.
- 1.2 The combined legislation is referred to in this Policy as ‘the money laundering legislation’.
- 1.3 There have been significant changes to the money laundering legislation which have broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, the obligations now impact on certain areas of Council business and require Councils to establish internal procedures to prevent the use of their services for money laundering.
- 1.4 Money laundering may be defined as the process whereby the origin of dishonest and or illegally obtained money is concealed so that it appears to come from a legitimate source.

### 2. POLICY STATEMENT

- 2.1 The Council will do all it can to:
- Prevent, wherever possible, the organisation, its employees and Members being exposed to money laundering;
  - Identify the potential areas where money laundering may occur and take appropriate action to minimise the risk; and
  - Comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.
- 2.2 Every employee (see 3.1 and 3.2 below) and elected Member has a personal responsibility to be vigilant.

### 3. SCOPE OF THE POLICY

- 3.1 This Policy applies to all officers (including external appointments, contractors and seconded staff) and elected Members of the Council. The Policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.
- 3.2 The Policy specifically covers employees of contractors and other public authorities delivering a service on behalf of the Council, for example Ubico or Publica. The term “officer” or “staff” includes employees of the contractor / other authority.

## Proceeds of Crime and Anti-Money Laundering Policy

- 3.3 Failure to comply with the procedures set out in this Policy may lead to disciplinary action being taken in accordance with existing Council policies in addition to any criminal prosecution which may ensue.
- 3.4 This policy should be read in conjunction with the Whistle-Blowing Policy and the Counter Fraud and Anti-Corruption Policy.

### **4. PURPOSE**

- 4.1 The Council has a duty to ensure it complies with its obligations under the legislation but it is acknowledged that it is a low risk area. Criminal sanctions may be imposed for breaches of the legislation.
- 4.2 The purpose of this Policy is to make officers and members aware of the money laundering legislation; their responsibilities regarding the legislation; and the consequences of non-compliance with this Policy.
- 4.3 Any officer or Member of the Council could be subject to the provisions of the money laundering legislation if they suspect money laundering and either fail to report their concerns or become involved in any actions to process the suspicious transaction. This Policy sets out how any concerns should be raised.

### **5. WHAT IS MONEY LAUNDERING?**

- 5.1 Under the Proceeds of Crime Act 2002 (POCA), money laundering means:
- Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of Proceeds of Crime Act [POCA]). This covers hiding an item or its source, removing serial numbers, or changing an item for something else (e.g. unexplained large cash payment claimed to be from death of relative or lottery win, a person using illegally earned money to buy a house or piece of land); or
  - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328 of POCA). This is actual involvement in helping to cover up an act (e.g. a housing officer becoming suspicious that a tenant on benefits is buying valuable items when they are on limited income and failing to report this); or
  - Acquiring, using or possessing criminal property (section 329 of POCA). Accepting stolen items knowingly or knowingly taking advantage of them or accepting items paid for by the proceeds of crime. This might involve paying significantly less than the value of an item with the suspicion or knowledge that it may be stolen; or
  - Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorism property (section 18 of the Terrorism Act 2000). This is about hiding income or other items which are being used to fund or carry out terrorist activities.

## Proceeds of Crime and Anti-Money Laundering Policy

- 5.2 Criminal property is defined in Section 340 (3) of POCA as “property”<sup>1</sup> that is or represents the person’s benefit from illegal actions in whole or part and the person knows or suspects that it is the proceeds of a criminal act.

### **6. THE COUNCIL’S OBLIGATIONS**

- 6.1 Organisations conducting “relevant business” under the legislation must:

- Appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity (their own or anyone else’s);
- Implement a procedure to enable the reporting of suspicions of money laundering;
- Maintain client identification procedures in certain circumstances; and
- Maintain records.

- 6.2 Some of the Council’s business is “relevant” for the purposes of the legislation, including the accountancy and audit services carried out by Financial Services and the financial, company and property transactions undertaken by Legal Services.

### **7. THE MONEY LAUNDERING REPORTING OFFICER (MLRO)**

- 7.1 The officer nominated to receive disclosures about money laundering activity is the Officer appointed under section 151 of the Local Government Act 1972.

### **8. DISCLOSURE PROCEDURE**

- 8.1 Where it becomes known or is suspected, that money laundering is taking/has taken place or there is concern by an officer that involvement in a matter may amount to a prohibited act under the legislation (see definition in 5 above), it must be disclosed immediately. Disclosure must be within hours of the information becoming known. Failure to disclose may lead to prosecution.

- 8.2 The disclosure should be made to the MLRO initially verbally (in person or by telephone). The report must include as much detail as possible, for example:

- Full details of the people involved (including the officer making the report) e.g. full name, date of birth, address, company names, directorships, phone numbers etc.
- Full details of the nature of their involvement.
- The types of money laundering activity involved. The MLRO can help identify this.

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<sup>1</sup> Defined by Section 340 (9) of POCA – “Property is all property wherever situated and includes:

(a) Money;  
(b) All forms of property, real or personal, heritable or moveable;  
(c) Things in action and other intangible or incorporeal property.”

## Proceeds of Crime and Anti-Money Laundering Policy

- The dates of such activities, including whether the transactions have happened, are ongoing or are imminent.
  - Where the transactions took place.
  - How they were undertaken.
  - The (likely) amount of money/ assets.
- 8.3 If there is concern that involvement in the transaction would amount to a prohibited act under sections 327-329 of POCA (see section 5 above for details), then consent will be needed from the National Crime Agency (NCA), via the MLRO, to take any further part in the transaction. It must therefore be made clear in the report whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- 8.4 The MLRO must be given all available information to help them decide whether there are reasonable grounds for knowledge or suspicion of money laundering, and to enable them to prepare a report to the NCA, if required.
- 8.5 Following the initial contact, the officer reporting the money laundering activity should then promptly complete the “Report to Money Laundering Reporting Officer” (See Guidance Notes) and attach copies of any supporting documentation.
- 8.6 Once reported to the MLRO the officer that made the report must follow any directions given and must not make any enquiries into the reported event. The MLRO will, if appropriate, refer the matter to the NCA who will undertake any necessary investigations. Officers will be required to co-operate fully with those investigating the matter.
- 8.7 It is imperative that nothing is said to the person suspected of money laundering; this would constitute “tipping off” which carries a maximum penalty of 5 years imprisonment and an unlimited fine.
- 8.8 All disclosure reports including those made to the NCA must be kept securely for a minimum of five years.

### **9. CONSIDERATION OF THE DISCLOSURE BY THE MLRO**

- 9.1 On receiving a disclosure report, the MLRO must note the date of receipt on his/her section of the report and acknowledge receipt of it. He/she should also advise the officer, who made the report, of the timescale within which he/she expects to respond.
- 9.2 The MLRO will consider the report and any other available internal information he/she thinks relevant, such as:
- Reviewing other transaction patterns and volumes;
  - The length of any business relationship involved;
  - The number of any one-off transactions and linked one-off transactions;
  - Any identification evidence held.
- 9.3 The MLRO will undertake such other enquiries as they think appropriate to ensure they take all available information into account in deciding whether to report the incident to the NCA. The MLRO may also need to discuss the report with the officer that submitted it.

## Proceeds of Crime and Anti-Money Laundering Policy

- 9.4 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely decision whether:
- There is actual or suspected money laundering taking place; or
  - There are reasonable grounds to know or suspect this; and
  - Whether they need consent from the NCA for a particular transaction to proceed.
- 9.5 Where the MLRO decides to refer a case to the NCA, they should do this promptly and on their standard report form (see Guidance Notes).
- 9.6 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not proceed until the NCA has specifically given consent, or there is deemed consent because the relevant time limit has expired without objection from the NCA.
- 9.7 Where the MLRO suspects money laundering but has a reasonable excuse for nondisclosure, then the MLRO must note the report accordingly; consent can then be granted immediately for any ongoing or imminent transactions to proceed.
- 9.8 In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- 9.9 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering they must mark this on the report accordingly and authorise the transaction to go ahead.
- 9.10 The MLRO is criminally liable if they know or suspect, or have reasonable grounds to do so on the basis of a disclosure made to them, that money laundering is happening and they do not disclose this promptly to the NCA.
- 9.11 All disclosure reports referred to the MLRO and reports made by the MLRO to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

### **10. CLIENT IDENTIFICATION PROCEDURE**

- 10.1 Where the Council is carrying out relevant business (examples of relevant business may be defined for this Council as, legal services, investments, cash handling and accountancy services) and:
- a) Forms an ongoing business relationship with a client; or
  - b) Undertakes a one-off transaction involving payment by or to the client of €10,000 (or equivalent) or more; or
  - c) Undertakes a series of linked one-off transactions involving a total payment by or to the client(s) of €10,000 (or equivalent) or more; or
  - d) It is known or suspected that a one-off transaction or a number of them involves money laundering; then this Client Identification Procedure must be followed before any business is undertaken.

## Proceeds of Crime and Anti-Money Laundering Policy

- 10.2 In the above circumstances staff in the applicable department must obtain satisfactory evidence of the identity of the prospective client as soon as practicable after instructions are received. This applies to existing clients, where such information has not been obtained, as well as new clients (see Customer Due Diligence process outlined in Guidance Notes).
- 10.3 The evidence should be retained for at least five years from the end of the business relationship or one-off transaction.
- 10.4 If satisfactory evidence is not obtained at the outset then the business relationship or one-off transaction cannot proceed. If there is an unjustifiable delay in obtaining evidence of identity or the where the client is deliberately not providing evidence a disclosure will have to be made.

### **11. RECORD KEEPING**

- 11.1 Staff within the areas of the Council conducting relevant business must maintain records of:
- Client identification evidence obtained and;
  - Details of all relevant business transactions carried out for clients.
- 11.2 As a minimum the records must provide an audit trail to aid any subsequent investigation, for example, distinguishing the client and the relevant transaction and recording in what form any funds were received or paid.
- 11.3 In all cases evidence should be retained for at least five years from the end of the business relationship or transaction(s). This is so that they may be used as evidence in any subsequent investigation.

### **12. GUIDANCE & TRAINING**

- 12.1 In support of this policy the Council will make staff aware of the requirements and obligations placed on the Council and on themselves as individuals by the legislation and give training to those most likely to encounter money laundering.
- 12.2 As a minimum they should be made aware of the relevant legislation and their responsibilities.

## Cheltenham Borough Council

### Audit, Compliance & Governance Committee – 28th April 2021

#### Local Code of Corporate Governance

<b>Accountable member:</b>	Cabinet Member for Corporate Services Councillor Alex Hegenbarth
<b>Accountable officer:</b>	Darren Knight, Executive Director - People & Change
<b>Accountable scrutiny committee:</b>	Audit, Compliance & Governance Committee
<b>Ward(s) affected:</b>	All
<b>Key Decision:</b>	No
<b>Executive summary:</b>	<p>The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.</p> <p>In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.</p> <p>The council has adopted the Local Code of Corporate Governance to ensure that these arrangements are in place and effective. The Local Code of Corporate Governance has been reviewed and presented to the committee for consideration and approval.</p>
<b>Recommendations:</b>	<ol style="list-style-type: none"> <li>1. Consider and approve the Local Code of Corporate Governance</li> <li>2. Following approval of the Code, the Council's Governance Manager reviews the Council's compliance through the Annual Governance Statement (AGS).</li> </ol>

<b>Financial implications</b>	<p>None.</p> <p><b>Contact officer:</b> Gemma Bell</p> <p><b>E-mail:</b> <a href="mailto:gemma.bell@cheltenham.gov.uk">gemma.bell@cheltenham.gov.uk</a></p> <p><b>Tel no:</b> 01242 264365</p>
<b>Legal implications</b>	<p>None.</p> <p><b>Contact officer:</b> One Legal</p> <p>E-mail: <a href="mailto:legal.services@teWKesbury.gov.uk">legal.services@teWKesbury.gov.uk</a></p> <p><b>Tel no:</b> 01684 272012</p>

<b>HR implications (including learning and organisational development)</b>	None. <b>Contact officer:</b> Clare Jones <b>E-mail:</b> clare.jones@publicagroup.uk <b>Tel no:</b> 01242 264355
<b>Key risks</b>	As outlined in Appendix 1
<b>Corporate and community plan Implications</b>	None.
<b>Environmental and climate change implications</b>	None.

## 1. Background

- 1.1 Cheltenham Borough Council is committed to the principles of good corporate governance and confirms its ongoing commitment and intentions through the development, adoption, monitoring and maintenance of its code of corporate governance. The Council recognises that achieving high standards of corporate governance encourages stakeholders to have confidence in us and allows the Council to undertake its community leadership role.
- 1.2 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.3 In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.
- 1.4 The Council has adopted the Local Code of Corporate Governance to ensure that these arrangements are in place and effective. The Code of Corporate Governance was last reviewed in 2016/2017. The Local Code of Corporate Governance has been reviewed and presented to the committee for consideration and approval.

## 2. Local Code of Corporate Governance:

- 2.1 The Council's Code of Corporate Governance is based upon the CIPFA/SOLACE publication entitled "*Delivering Good Governance in Local Government; Framework 2016 Edition*". This revised framework emphasises the importance of considering the long term and the links between governance and public financial management.
- 2.2 Appendix 2 is the Council's Local Code of Corporate Governance, which is to be reviewed and for approval by the Audit, Compliance & Governance Committee.

## 3. How the Local Code of Corporate Governance links to the Annual Governance Statement:

- 3.1 Local authorities are required to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how

they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

**3.2** The preparation and publication of an Annual Governance Statement in accordance with the framework fulfils the statutory requirement in England, Scotland, Northern Ireland and Wales for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

**4. Monitoring:**

**4.1** Compliance with the Council's Code of Corporate Governance and any national guidance is carried out through an annual assurance test. The results of this test are monitored by the corporate governance group which is chaired by the Executive Director - People and Change and reported to the senior leadership team, the Audit, Governance and Compliance committee and council through the Annual Governance Statement. The Local Code of Corporate Governance will be reviewed periodically.

<b>Report author:</b>	Darren Knight, Executive Director - People & Change  Tel: 01242 264387  e-mail address: darren.knight@cheltenham.gov.uk
<b>Appendices:</b>	<ol style="list-style-type: none"> <li>1. Risk Assessment</li> <li>2. Local Code of Corporate Governance</li> </ol>
<b>Background information:</b>	Background reading available from CIPFA:  <a href="https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-guidance-notes-for-english-authorities-2016-edition">https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-guidance-notes-for-english-authorities-2016-edition</a>

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	I	L	Score	Control	Action	Deadline	Responsible Officer	Transferred to risk register
1	The Council needs to have mechanisms in place to ensure good governance to ensure decision making is transparent, legally correct and ensuring value for money for the taxpayer.	Cabinet Member for Corporate Services	March 2021	5	1	5	Reduce	Local Code of Corporate Governance Risk Management Policy Corporate Governance Officer Group Annual Governance Statement The review of Governance by the Audit, Compliance & Governance Committee	Ongoing	ED People & Change	April 2021



# Cheltenham Borough Council

## Local Code of Corporate Governance

**Achieving intended outcomes, while acting  
in the public interest at all times**

<b>Document Control</b>	
<b>Created by:</b>	Darren Knight, Executive Director - People & Change
<b>Approved by:</b>	
<b>Approved date:</b>	
<b>Document Status:</b>	Draft
<b>Review date</b>	April 2022
<b>Published on website:</b>	

## Delivering Good Governance:

Delivering Good Governance in Local Government; Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities
- There is sound and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

‘The International Framework: Good Governance in the Public Sector’ defines ‘governance’ as ***“comprising the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”***.

Effective governance in the public sector encourages improved decision making and efficient use of resources. Effective governance is characterised by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management which leads to better service delivery and ultimately, better outcomes

The Delivering Good Governance in Local Government; Framework, sets out seven core principles of governance as detailed in the diagram below. Cheltenham Borough Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of the document – The Council’s Local Code of Corporate Governance.

Our Local Code is underpinned by the Delivering Good Governance in Local Government; Framework and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. These key governance areas and how the Council provides assurance that is complying with these are set out in more detail within its Governance Assurance Framework.

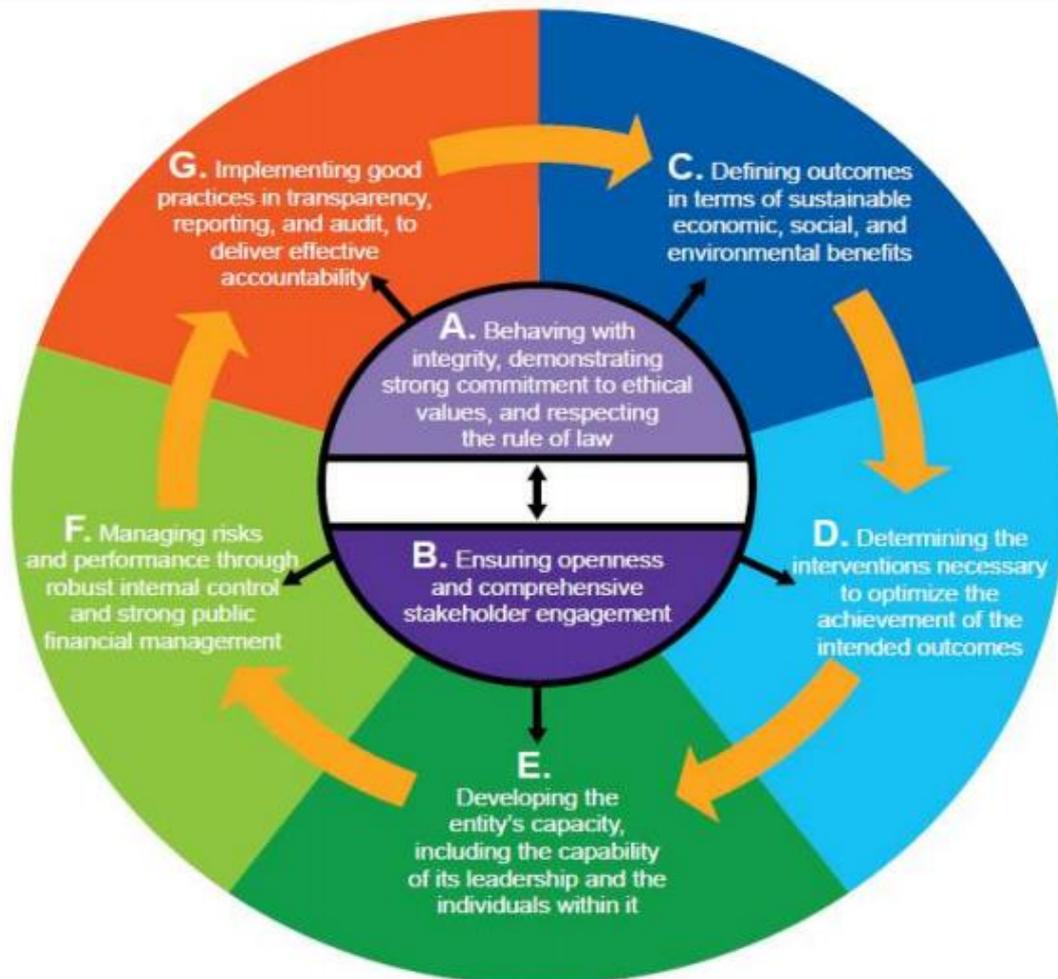
The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

**Core Principles:**

There are seven principles of good governance as set out in the framework which are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The diagram below, taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC) (the 'International Framework'), illustrates the various principles of good governance in the public sector and how they relate to each other. Achieving the intended outcomes while acting in the public interest at all times.



This diagram illustrates how the various principles for good governance in the public sector relate to each other. Principle A and B permeate the implementation of Principles C to G. Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A.

The council has adopted the Local Code of Corporate Governance to ensure that these arrangements are in place and effective. This code was last reviewed in 2016/2017. Approving the Council's Local Code of Corporate Governance is the responsibility of the Audit, Compliance & Governance Committee.

### **How the Local Code of Corporate Governance links to the Annual Governance Statement:**

Local authorities are required to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

The preparation and publication of an Annual Governance Statement in accordance with the Framework fulfils the statutory requirement in England, Scotland, Northern Ireland and Wales for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

On an annual basis, the Chief Executive and Leader of the Council will publish an Annual Governance Statement which will:

- Assess how the Council has complied with this Code of Corporate Governance
- Provide an opinion on the effectiveness of the Council's arrangements
- Provide details of how continual improvement in the systems of governance will be achieved.

## Appendix A

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
Acting in the public interest that requires a commitment to and effective arrangements for:		
<p><b>A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law</b></p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and respect the rule of the law.</p>	<p><b>Behaving with integrity</b></p>	<ul style="list-style-type: none"> <li>• Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>• Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</li> <li>• Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</li> <li>• Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>
	<p><b>Demonstrating strong commitment to ethical values</b></p>	<ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation’s ethical standards and performance</li> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation</li> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>• Ensuring that external providers of services on behalf of the Council are required to act with integrity and in compliance with ethical standards expected by the organisation</li> </ul>
	<p><b>Respecting the rule of the law</b></p>	<ul style="list-style-type: none"> <li>• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions effectively</li> <li>• Ensuring corruption and misuse of power are dealt with effectively</li> </ul>

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>Acting in the public interest that requires a commitment to and effective arrangements for:</b>		
<p><b>B. Ensuring openness and comprehensive stakeholder engagement</b></p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens, and service users, as well as institutional stakeholders. NB: Institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.</p>	<p><b>Openness</b></p>	<ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness</li> <li>• Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</li> <li>• Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear</li> <li>• Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / courses of action</li> </ul>
	<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<ul style="list-style-type: none"> <li>• Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcome for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> <li>• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> <li>• Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>✓ trust</li> <li>✓ A shared commitment to change</li> <li>✓ A culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit</li> </ul> </li> </ul>
	<p><b>Engaging with individual citizens and service users effectively</b></p>	<ul style="list-style-type: none"> <li>• Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</li> <li>• Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</li> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how</li> </ul>

		<p>views have been taken into account</p> <ul style="list-style-type: none"><li>• Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li><li>• Taking account of the impact of decisions on future generations of tax payers and service users</li></ul>
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Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>Acting in the public interest that requires a commitment to and effective arrangements for:</b>		
<p><b>C. Defining outcomes in terms of sustainable, economic, social and environmental benefits</b></p> <p>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p>	<p><b>Defining outcomes</b></p>	<ul style="list-style-type: none"> <li>• Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning or other decisions</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>• Identifying and managing risks to the achievement of outcomes</li> <li>• Managing service users’ expectations effectively with regard to determining priorities and make the best use of resources available</li> </ul>
	<p><b>Sustainable, economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</li> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</li> <li>• Ensuring fair access to services</li> </ul>

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>Acting in the public interest that requires a commitment to and effective arrangements for:</b>		
<p><b>D. Determining the interventions the necessary to optimise the achievement of the intended outcomes</b></p> <p>Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.</p>	<p><b>Determining interventions</b></p>	<ul style="list-style-type: none"> <li>• Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</li> <li>• Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</li> </ul>
	<p><b>Planning interventions</b></p>	<ul style="list-style-type: none"> <li>• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>• Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</li> <li>• Considering and monitoring risks facing each partner when working collaboratively, including shared risks</li> <li>• Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</li> <li>• Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>• Ensuring capacity exists to generate the information required to review service quality regularly</li> <li>• Preparing budgets in accordance with objectives, strategies and the medium term financial plan</li> <li>• Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>
	<p><b>Optimising achievement of intended outcomes</b></p>	<ul style="list-style-type: none"> <li>• Ensuring the medium term financial strategy (MTFS) integrates and balances service priorities, affordability and other resource constraints Ensuring the budgeting process in all-inclusive, taking into account the full cost of operations over the medium and long term</li> <li>• Ensuring the MTFS sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while</li> </ul>

		optimising resource usage Ensuring the achievement of 'social value' through service planning and commissioning
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Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>Acting in the public interest that requires a commitment to and effective arrangements for:</b>		
<p><b>E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b></p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	<p><b>Developing the entity’s capacity</b></p>	<ul style="list-style-type: none"> <li>• Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</li> <li>• Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</li> <li>• Recognising the benefits of partnerships and collaborative working where added value can be achieved</li> <li>• Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>
	<p><b>Developing the capability of the entity’s leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>• Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</li> <li>• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>• Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority</li> <li>• Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> <li>✓ Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>✓ Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their</li> </ul> </li> </ul>

		<p>knowledge on a continuing basis</p> <ul style="list-style-type: none"><li>✓ Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li><li>✓ Ensuring that there are structures in place to encourage public participation</li><li>✓ Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</li><li>✓ Holding staff to account through regular performance reviews which take account of training and development needs</li><li>✓ Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical mental wellbeing</li></ul>
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Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>Acting in the public interest that requires a commitment to and effective arrangements for:</b>		
<p><b>F. Managing risks and performance through robust internal control and strong public financial management</b></p> <p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the achievement of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	<p><b>Managing risk</b></p>	<ul style="list-style-type: none"> <li>• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> <li>• Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>
	<p><b>Managing performance</b></p>	<ul style="list-style-type: none"> <li>• Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</li> <li>• Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook</li> <li>• Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (OR, for a committee system)</li> <li>• Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</li> <li>• Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>
	<p><b>Robust internal control</b></p>	<ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving objectives</li> <li>• Evaluating and monitoring risk management and internal control on a regular basis</li> <li>• Ensuring effective counter fraud and anti-corruption arrangements are in place</li> <li>• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</li> </ul> <p style="text-align: right;">✓ Ensuring an audit committee or equivalent group / function, which</p>

		<p>is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</p> <p>✓ That its recommendation are listened to and acted upon commitment from those in authority</p>
	<b>Managing data</b>	<ul style="list-style-type: none"> <li>• Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</li> <li>• Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</li> <li>• Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</li> </ul>
	<b>Strong public financial management</b>	<ul style="list-style-type: none"> <li>• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</li> <li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control</li> </ul>

Principles	Sub-Principles	Behaviour and actions that demonstrate good governance in practice:
<b>Acting in the public interest that requires a commitment to and effective arrangements for:</b>		
<p><b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p> <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p>	<p><b>Implementing good practice in transparency</b></p>	<ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring they are easy to access and interrogate</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</li> </ul>
	<p><b>Implementing good practices in reporting</b></p>	<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</li> <li>• Ensuring members and senior management own the results reports Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</li> <li>• Ensuring this Framework is applied to jointly managed or shared service organisations as appropriate</li> <li>• Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</li> </ul>
	<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>• Ensuring that all recommendations for corrective actions made by external audit are acted upon</li> <li>• Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</li> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> <li>• Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</li> <li>• Ensuring when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</li> </ul>





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Audit, Compliance and Governance Committee 2020-21 work plan

Item	Author
<b>21 April 2021 (Report deadline: 9 April 2021)</b>	
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
<b>14 July 2021 (Report deadline: 2 July 2021)</b>	
Internal audit opinion (for the previous year)	Internal Audit
Auditing Standards – communicating with the Audit Committee	Paul Jones/Chair
Statement of Accounts (previous year) (inc. letter of representation)	Finance Team
Annual update on FOI and EIR	Judy Hibbert/Beth Cordingley
Annual Review of Risk Management Policy	Ann Wolstencroft
Annual Governance Statement	Darren Knight
<b>22 September 2021</b>	
Audit Findings Report - ISA260 (for the previous year)	Grant Thornton
Internal audit monitoring report	Internal Audit
Counter Fraud update and future work provision	Counter Fraud Unit
Grants 2020/21 (to include acknowledgement of huge team efforts)	Jayne Gilpin
<b>12 January 2022</b>	
IT Security update	John Chorlton/Tony Oladejo
Internal audit opinion (for the previous year)	Internal Audit
Auditing Standards – communicating with the Audit Committee	Paul Jones/Chair
Statement of Accounts (previous year) (inc. letter of representation)	Finance Team
Annual update on FOI and EIR	Judy Hibbert/Beth Cordingley
<b>20 April 2022</b>	
Audit progress report and sector updates	Grant Thornton
External audit plan (for the current year)	Grant Thornton
External Audit Fee Letter (for previous year)	Grant Thornton
Annual plan (for the upcoming year)	Internal Audit
Internal audit monitoring report	Internal Audit

Audit, Compliance and Governance Committee 2020-21 work plan

Item	Author
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
<b>13 July 2022</b>	
Internal audit opinion (for the previous year)	Internal Audit
Auditing Standards – communicating with the Audit Committee	Paul Jones/Chair
Statement of Accounts (previous year) (inc. letter of representation)	Finance Team
Annual update on FOI and EIR	Judy Hibbert/Beth Cordingley

<b>ANNUAL ITEMS (standing items to be added to the work plan each year)</b>	
<b>January</b>	
IT Security update	John Chorlton/Tony Oladejo
Audit committee update	Grant Thornton
Annual Auditors report (for previous year)	Grant Thornton
Internal audit monitoring report	Internal Audit
Annual governance statement – significant issues action plan	Ann Wolstencroft
<b>April</b>	
Audit progress report and sector updates	Grant Thornton
External audit plan (for the current year)	Grant Thornton
External Audit Fee Letter (for previous 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 (if CIPFA guidance has changed)	Darren Knight
Annual Governance Statement	Darren Knight
Annual Review of Risk Management Policy	Ann Wolstencroft
<b>July</b>	
Internal audit opinion (for the previous year)	Internal Audit

Audit, Compliance and Governance Committee 2020-21 work plan

Item	Author
Auditing Standards – communicating with the Audit Committee	Paul Jones/Chair
Statement of Accounts (previous year) (inc. letter of representation)	Finance Team
Annual update on FOI and EIR	Judy Hibbert/Beth Cordingley
<b>September</b>	
Audit Findings Report - ISA260 (for the previous year)	Grant Thornton
Internal audit monitoring report	Internal Audit
Counter Fraud update and future work provision	Counter Fraud Unit

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