

Cheltenham Borough Council Audit, Compliance and Governance Committee

Meeting date: 19 April 2023

Meeting time: 6.00 pm

Meeting venue: Council Chamber - Municipal Offices

Membership:

Councillors Paul McCloskey (Chair), David Willingham (Vice-Chair), Matt Babbage, Adrian Bamford, Graham Beale, Tabi Joy and John Payne

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Agenda

1 Apologies

2 Declarations of interest

3 Minutes of the last meeting (Pages 3 - 6)

To approve the minutes of the meeting held on 19 April 2023

4 Public and Member Questions

These must be received no later than 12 noon on the seventh working day before the date of the meeting

5 Annual Review of Risk Management Policy (Pages 7 - 34)

Report of Ann Wolstencroft, Head of Performance, Projects and Risks

6 Audit progress report and sector updates (Pages 35 - 52)

Report of Grant Thornton

7 Internal Audit Progress Report (Pages 53 - 70)

Report of Lucy Cater, Assistant Director, SWAP Internal Audit Services

8 Internal Audit Plan and Charter 2023/24 (Pages 71 - 92)

Report of Lucy Cater, Assistant Director, SWAP Internal Audit Services

9 Counter Fraud Unit report (inc RIPA/IPA update) (Pages 93 - 102)

Report of Emma Cathcart, Head of Service, Counter-Fraud and Enforcement Unit

10 Review of Draft Accounting Policies 2022-23 (Pages 103 - 126)

Report of Gemma Bell, Director of Finance and Assets (Deputy S151 Officer)

11 Work Programme (Pages 127 - 128)

12 Any other item the chairman determines to be urgent and requires a decision

13 Date of next meeting

Wednesday 12 July 2023



Cheltenham Borough Council

Audit, Compliance and Governance

Committee

Minutes

Meeting date: 24 January 2023

Meeting time: 6.00 pm - 7.15 pm

In attendance:

Councillors:

Paul McCloskey (Chair), David Willingham (Vice-Chair), Matt Babbage, Tabi Joy, John Payne and Tony Oliver

Also in attendance:

Paul Jones (Executive Director of Finance, Assets and Regeneration), Lucy Cater, Mike Redman (Director of Climate Change and Place Services), John Chorlton (Chief Technology Officer, PUBLICA) and Claire Hughes (Monitoring Officer)

1 Apologies

Apologies were received from Councillor Bamford. Councillor Oliver attended as his substitute.

2 Declarations of interest

There were none.

3 Minutes of the last meeting

The minutes of the meeting held on 23 November 2022 were unanimously approved by Members who attended the meeting, and signed by the Chair as a true record.

4 Public and Member Questions

There were none.

5 Internal Audit Monitoring Report

The Assistant Director of SWAP introduced her report, which presented an update of work undertaken since the last meeting, and a list of recommendations to be followed up, two of which have been actioned since the report was drafted. With work about to start on the draft Audit Plan for the coming year, she invited Members to suggest any areas they would like to be included.

A Member said, as Chair of Licensing and very aware of the importance of taxi safeguarding, he welcomed the fact that the licensing team felt able to ask for this to be looked at and to receive constructive criticism from someone outside the process. He thanked the SWAP team for undertaking this important work.

In response to Member questions, the Assistant Director, SWAP, confirmed that:

- with the introduction of a new, more flexible approach to audit, a core set of audits will be carried forward, with the introduction of an audit liaison whereby auditors talk to (MIKE?) on a quarterly basis to identify areas which need auditing at that particular time rather than sticking to a fixed audit plan. This will give more flexibility and also reflect the resources in the team;
- regarding the lack of KPIs from Publica and Members' suspicions about the reliability of what they are telling Overview and Scrutiny Committee about their performance, the agreed actions will be followed and a piece of work will be undertaken by SWAP to investigate the matter;
- auditor judgement is used in the metrics system of priorities and red/amber/green flags – a score may be brought down by some consideration or observation in the report which is noted but doesn't warrant any action or recommendation;
- she was unable to comment on what was being audited in respect of the Minster Exchange project as a different SWAP team was doing that piece of work. She believed they had all the information they needed and that the draft report was with Cheltenham;
- where an item is listed as 'in progress' it is being worked on by the team – it isn't a euphemism for being late; although it might be helpful to have a 'due date' on the reports, this would not work with the new flexible audit plan;
- regarding management of risk, the model used to assess CBC's risks (identifying Levels 1, 2 etc) was introduced by the Executive Director for Place and Communities. This can be shared with Members if they wish, to give them the full context.

A Member asked whether, with Clearview going into administration, it was inevitable that the council will be relying on third party providers for data processes and software, and whether it was under SWAP's remit to identify vulnerabilities and ensure strategies were in place to deal with them. The Chief Technology Officer confirmed that his team was involved in the Clearview recovery, that the data was retrieved and a new system set up by CBC within three days, and this was running until a new provided could be found. This would have been included in the contract when Clearview was procured. He confirmed that the ongoing risk of other third

parties failing is a major consideration, and whereas historically CBC concentrated on internal risk with all systems within the council's boundaries, the focus was moving to the external third party supply risk, working with different parts of CBC to ensure the correct contracts are in place. Building this into the total cost of ownership enables good decisions whether to host internally or externally.

Returning to an earlier Member question concerning the Minster Exchange, the Executive Director for Finance and Assets confirmed that a draft report had been written and was being reviewed for factual accuracies and timelines, with a firm commitment the outcome of the review by Overview and Scrutiny Committee will determine at what level the report is scrutinised at this committee to avoid duplication of effort.

No vote was required on this item.

6 Work Programme

The Chair asked for an explanation as to why items on the Work Programme have been delayed, some several times. The Executive Director for Finance and Assets confirmed that the national shortage of audit professionals had resulted in audit delays. The added complication this year was the debate on infrastructure assets, and the combination of these issues meant that it hadn't been possible to meet the November or January deadlines. Having spoken with Grant Thornton about a realistic date for formal sign-off, this should be in time for the extraordinary meeting on 9 March but could have to be cancelled if not. He added that Cheltenham isn't in a minority here – a number of councils still have 2-3 years of accounts waiting to be signed off.

He confirmed that items can be added to the workplan at any point, and it is reviewed at every meeting to ensure that Members are happy with it.

The Chair asked about governance, and whether enough consideration was given to it, bearing in mind that it is one third of the committee's name. He was conscious, in particular, that the agenda item 'Annual Governance Statement' had been pushed back three times, and wanted Members to be clear in their own minds that compliance and governance were being adequately considered. Also, there had been six meetings this year, but the annual review of risk management policy had not yet been discussed – he suggested that this should be high on the priority list for the following work plan.

7 Any other item the chairman determines to be urgent and requires a decision

There was none.

8 LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION

Members voted on the following resolution, as recommended:

“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 paragraphs 3 and 7, Part (1) Schedule (12A) Local Government Act 1972, namely:

Paragraph 3: Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Paragraph 7: Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.”

The resolution was approved unanimously, and the meeting moved into exempt session.

9 IT Security Update

The Chief Technology Officer (Publica) presented his report and responded to Members' questions. No vote was required on this item.

Cheltenham Borough Council

Audit, Compliance and Governance Committee – 19th April 2023

Review of Risk Management policy

Accountable member:

Councillor Rowena Hay, Leader

Accountable officer:

Gareth Edmundson, Chief Executive

Ward(s) affected:

N/A

Key Decision: No**Executive summary:**

The Risk Policy has been amended to reflect some changes in the organisation structure and groups and some proposed changes to the reporting of risks.

Recommendations:

- **The Audit, Compliance & Governance Committee approves the updated Risk Management Policy.**
-

1. Implications

1.1 Financial, Property and Asset implications

Poor risk management can lead to increased financial costs therefore it is important to have a robust policy and process in place.

Signed off by: Gemma Bell, Finance [gemma.bell@cheltenham.gov.uk]

1.2 Legal implications

There are no specific legal implications arising from the report and its recommendations. It is fundamental that the Council has an embedded risk management framework which considers the identification, recording, and management of risks to the Council in the delivery of its priorities and objectives. Failure to identify and manage risk can lead to inappropriate decision making, unnecessary liability and costly legal challenge.

Signed off by: One Legal

1.3 Environmental and climate change implications

Good risk management across projects, programmes and business activities will ensure climate implications are considered, relevant risks highlighted and controls put in place to mitigate.

Signed off by: laura.tapping@cheltenham.gov.uk

1.4 Corporate Plan Priorities

This report contributes to all Corporate Plan Priorities as effective risk management is essential to the achievement of CBC plan.

Signed off by: ann.wolstencroft@cheltenham.gov.uk

1.5 Equality, Diversity and Inclusion Implications

Good risk management across all aspects of our business should ensure Equality, Diversity and Inclusion implications are considered and any risks are highlighted and controls put in place to mitigate.

richard.gibson@cheltenham.gov.uk.

2 Background

2.1 Risk management is the culture, process and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives.

2.2 The Councils Risk Management Policy sets out the approach to risk management including the roles and responsibilities for Officers and elected Members. The policy also details the processes in place to manage risks at corporate, operational and project levels.

2.3 The Councils ICT services are managed by Publica; this includes the identification of risk and threats to our IT infrastructure and data, this is managed in accordance to the requirements of the Public Sector Network framework. They are therefore not covered by the CBC Risk Management Policy but there are mechanisms in place to transfer or share risks between partners.

2.4 The Risk Management Policy is made available to the Leadership Team, Corporate

Governance Group and to Project/Programme Managers. All policy, guidance and advice documents are made available to all officers and elected Members through the risk management page on the intranet.

- 2.5 The Council's Leadership Team considers and reviews strategic risks on a monthly basis and the register is made available to Cabinet. All reports to Council / Cabinet / Committees contain risk implications. All risk discussions / assessments include the development of risk mitigation actions designed to reduce the likelihood and / or consequences of adverse events occurring. By understanding and managing risks, the council can be more confident about undertaking ventures which produce larger gains.
- 2.6 The council's approach to risk management is overseen by the Audit Committee. This committee reviews the Risk Management Policy and considers internal audits reports on risk management.
- 2.7 The Risk Management Policy states the need for an annual formal review however following discussions with the Committee Chair it is proposed this is reduced to once every three years unless a significant change means a review is needed before this time.
- 2.8 The policy has been updated to reflect current team names and titles.
- 2.9 The main changes that have been made are in the reporting section which details a quarterly report to Audit, Compliance & Governance Committee as well as two reports to Cabinet.

3 Reasons for recommendations

- 3.1 Updated policy reflects best practice and maturity/learning within organisation.

4 Alternative options considered

- 4.1 None

5 Consultation and feedback

- 5.1 Leadership Team, Governance Group, Members of Audit, Compliance & Governance Committee.

6 Key risks

- 6.1 Risk of poor risk management.

Report author:

Ann Wolstencroft, Head of Performance Projects & Risks

Appendices:

- i. Risk Assessment
- ii. Risk Management Policy

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
387	If the council does not have a robust and effective approach to risk management then then it may result in financial losses, failure to achieve corporate priorities, litigation and reputational damage.	Ann Wolstencroft	3	3	9	Reduce	<p>Updated Policy</p> <p>Risk Management Training</p> <p>Leadership Team Risk Discussions</p> <p>Operational Risk Discussions</p> <p>Risk Maturity Audit</p> <p>Risk Reports to Audit, Compliance & Governance Committee</p>	Ann Wolstencroft	<p>April 2023</p> <p>June 2023</p> <p>In place</p> <p>In place</p> <p>Completed & 2024</p> <p>June 2023</p>



Document control

Document Location;S:\Corporate\Risk\riskmanagementpolicy

Reviewed by; Audit Committee and Corporate Governance Group

Version Number	Version Date	Summary of Changes
1.0	14/02/2009	New Policy
1.2	19/04/2011	revised policy
1.3	23/01/2012	Draft Revised policy
1.4	01/04/2012	Confidential risks and new score card
1.5	01/04/2013	Additional requirement re commissioning
1.6	26/03/2014	Audit Committee
107	25/03/2015	Audit Committee
1.08	23/03/2016	Audit Committee
1.09	22/03/2017	Audit Committee
1.10	24/03/2018	Audit Committee
1.11	24/07/2019	Audit Committee
1.12	11/11/2020	Audit Committee
1.13	19/04/2023	Audit Committee

Audit Committee will be distributed to;	12/11/2020
All CBC staff, Public website and Cabinet members	1.0
Public website, Audit Committee and Cabinet	12/04/2011
Audit Committee (agreed) All CBC staff, Public website and Cabinet members	21/03/2012
Audit Committee All CBC staff, Public website and Cabinet members	21/03/ 2013
Audit Committee All CBC staff, Public website and Cabinet members	26/03/2014
Audit Committee All CBC staff, Public website and Cabinet members	26/03/2015
Audit Committee All CBC staff, Public website and Cabinet members	01/04/2016
Audit Committee All CBC staff, Public website and Cabinet members	01/04/2017
Audit Committee All CBC staff, Public website and Cabinet members	24/07/2019

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Cheltenham Borough Council - Our Approach to Risk Management

The council believes that risks need to be managed, rather than avoided and that a rigorous approach to all aspects of risk management is an integral part of good management practice.

Through having a sound risk management process we will ensure:

- That the council continues to achieve its objectives and outcomes and sustainable improvement in services;
- That the council is developing and maintaining a safe and healthy environment for the public, and for its employees; and
- That the council reduces the number and cost of insurance claims.
- That by mitigating risk we will make processes safer and more effective which in turn will reduce costs and make us more efficient.

Risk is defined in line with ISO 31000:2009 Risk Management Principles and Guidelines.

There are many definitions of risk and risk management. The contemporary definition set out in ISO 3100 is that risk is the “effect of uncertainty on objectives” where uncertainty can be either positive or negative.

Risk Management is defined as ‘the culture processes and structures directed towards realising opportunities whilst managing adverse effects’. Its purpose is not to eliminate risk, but to understand it so as to take advantage of the upside and minimise the downside.

Everyone has a role to play in our risk management policy. Combining shared leadership with a team approach will help contribute to the success of integrated risk management.

Our Expectations / Commitments

- The ~~Executive~~ Leadership Team will own and maintain the corporate risk register which will be reviewed ~~updated~~ on a monthly basis and updated as appropriate.
- The corporate risk register will be aligned to the Council’s Corporate Plan and the priorities therein.
- Directors and Managers will ensure that there is an operational risk register for each operational area which will be reviewed on a monthly basis and updated as appropriate.
- All project and programme managers will assess the strategic and operational risks associated with the programme or project, incorporate these on a risk register which reviewed on a monthly basis by the Board and updated as appropriate.
- ~~is an up to date directorate or project risk register for their teams using our risk management system. This should be reviewed at least quarterly.~~ Any directorate operational or project risk that has a score of 16 or greater will be referred to the Leadership Team foELT fo for consideration and the potential for inclusion on the Corporate Risk Register.
- Service Managers will document risks to meeting their team objectives and these will be included on the relevant operational register.
- All committee reports that require a decision should be accompanied by a risk assessment which should reflect risks on the operational or corporate risk registers.
- All risk registers will be in the corporate format as detailed in this policy and be created and managed via Clearview.
- ~~All project and programme managers will assess the strategic and operational risks associated~~

~~with the programme or project objectives.~~

- We will ensure that partnership working is part of our risk management approach; partnerships should identify the risks to achieving their objectives and the council will document the risks to working in partnerships.

Part One – Our approach to risk

1. Introduction

1.1 The aim of this policy is to set out Cheltenham Borough Council's approach to risk and the management of risk. It is presented in three parts; the first is our approach to risk management; the second outlines the process for risk management and the third part sets out roles and responsibilities.

1.2 The council believes that risk needs to be managed, rather than avoided and that a rigorous approach to all aspects of risk management is an integral part of good management practice. Through having a sound risk management process we will ensure:

- That the council continues to achieve its objectives and outcomes and sustainable improvement in services.;
- That the council is developing and maintaining a safe and healthy environment for the public, and for its employees.;
- That the council reduces the number and cost of insurance claims.
- That by mitigating risk we will make processes safer and more effective which in turn will reduce costs and make us more efficient.

1.3 Risk is defined as

"An uncertain event or set of events which, should it occur, will have an effect upon the achievement of objectives, within the lifetime of the objective."

1.4 Risk can be both negative and positive, but it tends to be the negative side that we focus on and score. This is because some things can be harmful, such as putting lives at risk or a cost to an individual or the organisation in financial terms.

1.5 Negative risk is represented by potential events that could harm ~~the project~~ what we are trying to achieve. In general, these risks are to be avoided and can be measured in terms of impact and likelihood. Positive risk, on the other hand, refers to risk that we initiate because we see a potential opportunity, along with a potential for failure.

1.6 There are two examples of positive risks. The risk could either be a positive experience, or the reason for taking the risk has rewards that are well worth it. For example the risk could make us enhance our performance or reputation, or by taking a different option we could improve ~~or~~ exceed corporate objectives, improve efficiency, reduce costs or improve income by a greater amount than was originally identified. See also section 8 about monitoring and managing risk.

1.7 Risk management is

"The activities required to identify and control exposure (negative risk) to uncertainty which may impact on the achievement of objectives". Or/and to use Positive risks to help us exceed our objectives.

1.8 From these two definitions, we can see that risk management is focused on the risk to meeting our objectives.

1.9 Given the definitions above, the council will assess, monitor and manage risks to the achievement of its objectives, including:

- Our corporate objectives – as set out in our corporate plan strategy.;

- Directorate objectives.‡
- Service team objectives.‡
- Project and programme objectives.‡~~and~~

1.10 This policy sets out how we will identify, assess and manage risks, how we will report risk and how we will support risk management.

1.11 Everyone has a role to play in our risk management policy. Combining shared leadership with a team approach will help contribute to the success of integrated risk management. More information on roles and responsibilities is given in part 3.

2. Identifying, assessing and managing risks

2.1 The council will take a rounded view on what constitutes a risk. The starting point is that a risk could be anything, from an internal or external source, that poses a threat to the achievement of our objectives.

2.2 In terms of external sources, changing circumstances can have a significant impact on our ability to deliver our objectives. The environment we operate in is not stable and is in constant flux. Good risk management is about trying to anticipate these changes and put in place actions to respond to the resulting risks by minimising the likelihood and/or impact. Our view of the source of external risks could include the following:

- Local and national political change
- Local and national economic circumstance
- Social change
- Technological change
- Climate change
- Legislative change
- Environment
- Complying with equality considerations
- Change in the organisational structure for local government
- Changing expectations/needs from customer/citizens/residents
- Change in how we are resourced
- Recommendations from assessments or reviews

2.3 In terms of internal source of risks, the ability of the council to continue to deliver its objectives is dependent on the following:

- Finance - sufficient finances in place to deliver services.‡
- Human resource - enough appropriately skilled, competent, experienced, healthy, motivated staff in the right place at the right time to deliver the service.‡
- Premises - the most appropriate environment from which to deliver the service.‡
- Technology – the most appropriate form of technology to support service delivery.‡
- Procurement – the most appropriate service/resource provider in place to deliver the service objectives (if service out-sourced).‡
- Legal/Contractual – the most appropriate form of contract to guide service delivery.‡
- Partners – commitment from appropriate other partners (both internal and external) to deliver the service.‡

- Changing priorities – a stable environment in terms of organisation priorities, clear objectives and manageable level of complexity.
- Information – an exchange of reliable information (internal and external) that is accurate and timely on which decisions can be fairly and correctly based.
- Safety and security of assets.

2.4 It is also worthwhile noting that because we have a number of adopted commissioned services approach whereby the council may deliver services through different organisational models, and then we must ensure that these arrangements are included within our risk management processes and these risks can then should be included in our registers as appropriate, the same register as all other risks to the delivery of the objective. When it is necessary to the achievement of an objective to procure products and services, the risk/s to the objective if the procurement process fails should also be identified and managed. When these ownership and management mechanisms have been defined risk owners need to ensure that effective monitoring and governance controls are in place to protect council assets.

2.5 When we commission the delivery of a service or enter into a shared service/inter authority agreement, providers are expected to have a range of risk management processes in place in accordance with any agreement with the Council, should they identify a significant risk that may have an impact on the Council they must advise the Client officer. The Client officer will then decide on the best course of action e.g. raise with Leadership team and include on either the Corporate or Directorate Operational risk registers.

2.6 In addition we would expect all programme and project managers to assess the strategic and operational risks associated with the programme or project objectives before the project is selected and approved. This assessment should ensure:

- An appropriate sign off process has been undertaken prior to commencement.
- The appropriate governance is in place to manage the project/programme.
- All roles including that of Project/Programme Manager, Senior Responsible Owner and other Project Team members are understood and fulfilled by individuals with the relevant technical skills.
- Everyone within the team understands the importance of raising/escalating risks as soon as they are identified.
- Risk are reviewed with the Programme/Project Board on a monthly basis.
- Key Project/Programme Risks should be reviewed as the project proceeds and included within the Corporate Risk Register if the risks are appropriate and reviewed by the Leadership Team on a monthly basis. is likely to impact upon the authority as a whole.

2.62.7 All committee reports that require a decision should contain a description of the options available and a risk assessment for each of them. These risks must relate to the objectives of the report topic.

2.72.8 Risk management should not be seen as a separate management function; it is a core part of good management.

2.82.9 The council have separate and detailed Health and Safety policies that provide advice about how this type of risks should be identified and managed. They can be found on the intranet. The council acknowledges the importance of Health and Safety and the risks associated with safe working practices. We have a separate Health and Safety policy that provide advice about how these types of risks should be identified and managed and this can be found on the intranet.

2.10 Fraud is a key risk to public service organisations with financial and reputational consequences. The Council has a responsibility to manage any risks associated with fraud, bribery and corruption effectively and ensure mitigating controls are in place. The council is supported in this area by the Counter Fraud and Enforcement Unit. The unit have produced a Fraud Risk Strategy which sets out how they work with the council. A separate Fraud Risk Plan and Fraud Risk Register are maintained by the Counter Fraud Unit to prevent and deter the risk of fraud and corruption. The Counter Fraud and Enforcement Unit will also develop risk registers for specific services e.g. revenues and benefits which are reviewed regularly with the service area manager.

2.11 The council is defined as 'Category 1 Responder' having a statutory duty to prepare for and respond to emergencies, support the emergency services and provide assistance to those affected. Therefore as part of its emergency planning obligations there is also a risk register held by the DEPLO to assess and prepare for emergencies.

Defining and scoring risk

2.92.12 Once risks have been identified ~~they should using the information given above, the council would like risks to~~ be defined in a consistent way using the "cause and effect" approach (see Part 2, 5.3 for more information). Risks will be then scored for impact and likelihood using the risk scorecard. (The risk score is the multiplication of impact and likelihood.)

2.102.13 The initial score will be based on current circumstances and referred to as the '~~original~~raw' score. After controls have been actioned, the risk will be scored again. This score will be referred to as the 'current' score.

Tolerance and controls

2.112.14 The scored risk can then be assessed against the council's tolerance levels. Currently we have three levels which set out the council's attitude to that particular risk. The three tolerance levels are coloured red, amber and green. Risks that are scored in the red and amber areas will require action.

The council then has eight options on how to control the risk (please see section 7.3 for detailed definitions);

- Reduce the risk
- Accept the risk
- Transfer the risk to a third party
- Avoid the risk
- Prepare a contingent plan
- Share the risk
- Enhance the risk
- Exploit the risk

2.132.15 The decision on how to control the risk will be made by the risk owner or an appropriate senior officer depending on where the score falls in the tolerance areas and the costs associated with the control.

Monitoring and managing risk

2.142.16 As risk management is an integral part of good management all identified risks should be recorded and managed through either the DirectorateOperational Risk Register or the Corporate Risk Register. Corporate Risks are monitored monthly and DirectorateOperational Risk Registers will be monitored quarterly at routine DirectorateOperational Team meetings. Any Directorateoperational risk that has a score of 16 or greater will be referred to ELT for consideration for inclusion on the Corporate Risk Register

2.152.17 The Corporate Risk Register is available to all elected Members and employees through the intranet and is collectively monitored and managed by the Executive Leadership Team

Recording risk

2.162.18 Risk registers should be used to inform decision making, resource allocation and to assist in performance management. They should be updated if the risk changes and as required to meet agreed monitoring arrangements.~~The risk registers should be used to inform decision making and resource allocation and should be updated as required to meet agreed monitoring arrangements.~~

2.172.19 DirectorateOperational Risk Registers are the responsibility of Directors with the individual risks being assigned to officers within the division (or across departments where appropriate.)

2.182.20 Any member of staff can add a risk but any high scoring risks should be added and discussed with the relevant Director immediately to ensure relevant controls can be put in place.~~new risk must be agreed by Directors / Managers before being added to the register. Mitigating actions and deadlines can be updated by the risk owner at anytime prior to the monthly review..~~

4.3. Risk registers & reporting risks

The corporate risk register

~~3.1 The 'corporate risk register' contains strategic risks to the organisation~~

~~— The longer term risks to the delivery of outcomes (ambitions) are described within the Corporate Strategy. The outcomes are linked directly to specific improvement actions which again are described within the Corporate Strategy but are individually risk assessed and managed within the Corporate Risk Register.~~

~~— Headline risks associated with exceptional circumstances.~~

~~3.4 The Section 151 officer is responsible for ensuring that the Council has an effective Risk Management Policy~~

3.53.1 ~~The Executive~~ Leadership Team will own and maintain the Corporate Risk Register and associated actions which will be considered on a monthly basis and updated by them as appropriate on a monthly basis.

3.63.2 A copy of the updated corporate risk register will be provided informally to Cabinet Members following review by the Leadership Team~~ELT~~ so that they can discuss the risks with the risk owners or managers.

3.3 ~~A report on copy of the~~ Corporate Risks Register will go to Audit Committee quarterly.

3.4 An annual report followed up by a six monthly risk monitoring report on Risks will go to Cabinet.

3.5 Oversight and scrutiny will have access to the Risk Register as required.

~~3.7~~ — Any confidential risks will be recorded on the confidential risk register and reviewed at each meeting of the Governance Group along with the Corporate Risk Register. ~~be published on the Transparency page of the Councils website immediately following ELT and Informal Cabinet reviews.~~

3.6

~~3.7~~ People identifying risks need to understand the difference between a 'risk' and an 'issue'. ~~s need to understand the difference between them. We must identify "risks" as "risks" and not call them "issues" to do so only causes confusion.~~ The key difference is that an "issue" has already occurred and a "risk" is a potential issue that may or may not happen and can impact the project positively or negatively. ~~We plan in advance and work out mitigation plans for high impact risks.~~ A risk can become an issue, but issue is not risk as it — it ~~h~~has already happened. See section 3.12 for further information on issues.

~~3.8~~ — For all issues at hand, we need to act immediately to resolve them.

~~3.9~~ 3.8 The corporate risk register will provide the necessary assurance for the annual governance statement.

~~3.10~~ — An annual report followed up by a six monthly risk monitoring report to Cabinet

~~3.11~~ 3.9 Risk management reporting should be co-ordinated with continuous routine performance monitoring.

~~3.12~~ — All corporate confidential risks will be recorded in the normal way but they will be redacted either in full or in part from the corporate risk register so as to protect any personal data, prevent the disclosure of legally privileged information or exempt from publication any other information which should be so exempted. Further guidance on confidential risk can be found at paragraph 9.3.

Directorate Operational, service area and programme/project team risk, other registers

~~3.13~~ 3.10 Each ~~division~~ directorate needs to take a proactive approach to risk management making sure that it is embedded as a part of the good management of the ~~division area~~. ~~Each division should compile and maintain~~ ing an a Directorate operational risk register on Clearview that captures the risks to the delivery of its objectives and services. These risk registers should be reviewed monthly by teams but formally reported on quarterly basis to the Chief Executive and a copy sent to the Head of Risk.

~~3.11~~ 3.11 Each ~~service team, p~~ Project/programme ~~should also may also~~ have a risk register, as per 2.6, which capture risks to their respective objectives. ~~The important thing is to make sure that risk is discussed and debated at management teams and that risks are then identified and managed~~ se risks should be formally reported to the project/programme board on a monthly basis.

It is also important to note that those particularly high scoring Directorate risks will not necessarily have a place on the corporate risk register unless it has a direct impact on our corporate objectives. In this case, the cause or effect may be different and the impact and likelihood scores must be scored appropriately. If the overall score for a Directorate or project risk is 16 or over then it must be brought to the attention of ELT for consideration for inclusion on the Corporate risk Register. Corporate Issues Register

~~3.12~~ 3.12 The purpose of an issue register is to capture and maintain information in a consistent structured manner on all identified issues that are happening now and require action. Although issue resolution is not part of the risk management process the issue register is the link between these two processes as issues may have arisen from risks that have occurred. The key point is that issues need management action to limit the adverse effect. The council will be introducing a Corporate Issues Register from 1st April 2023. This issue register will be reported to the Corporate Governance Group.

Reporting risks

~~3.14~~ Monthly risk monitoring reports will be presented to the Executive Leadership Team and informally to Cabinet Members for discussion with Risk Owners. There will be an annual report to Cabinet and to Audit Committee which will include:

- ~~• The most significant corporate risks faced by the council;~~
- ~~• The associated management actions which are considered urgent;~~
- ~~• The resource implications of any management actions; and~~
- ~~• An overview of how significant risks may affect the Council's ability to meet its ambitions.~~

~~Risk management reporting should be co-ordinated with continuous routine performance monitoring.~~

4. Supporting risk management

Risk management co-ordination

- 4.1 The risk management policy, including any guidance notes, will be reviewed ~~once a year~~every three years by the Audit Committee and the responsible Director and when necessary, updated to incorporate further development in risk management processes and/or organisational change.
- 4.2 Where the council has established groups who have responsibility for risk, they should include detail about their role in the terms of reference or constitution for the group.

Training

- 4.3 The requirement for risk management training which will ensure that elected members and officers have the skills required to identify, evaluate, control and monitor the risks associated with the services they provide, or govern should be identified through the appraisal process.
- 4.4 Risk Management training for staff and elected Members will be delivered through an number of tools including elearning tool on the modules on the Learning Management System, induction, teams meetings and face to face.
- 4.5 Where required, training in corporate governance, of which risk management is a part, should be identified through the induction process for all new employees and members.

Communication

- 4.6 The risk management culture within the council must support open and frank discussion on risks to the Council. Risk ~~Managers Owners~~ and Risk ~~Control Owners~~Managers must provide opportunities to employees and members not normally involved with risk management with the opportunity for comment and challenge.
- 4.7 Risk should be considered at least ~~quarterly~~monthly by management team and service team meetings as part of good management practice. When necessary, new and emerging risks, significant change and where control actions are significantly succeeding or failing should be discussed.
- 4.8 It is the responsibility of the risk ~~manager-owner~~ to communicate and discuss risk and control actions with other relevant officers, including those from other ~~departments~~divisions.

- 4.9 If the cause of a risk or the failure of an objective or activity has the potential to impact on another objective or activity, it is the duty of the responsible officer to communicate that cause or failure to the owner of the effected objective or action.
- 4.10 Information and guidance on risk management will be available to all employees with computer access via the intranet and shared drive. Employees without computer access should speak to their manager for a printed copy.
- 4.11 Employees will be kept up to date on risk management progress and good practice through management meetings, team briefings and the intranet.

Part 2 - Process & Guidance

5. How to identify and define risks

5.1 Identifying risks is about asking:

- What could happen that would impact on the objective?
- When and where could it happen?
- How and why could it happen?
- How can we prevent or minimise the impact or likelihood of this happening?

5.2 What risks are identified and who you involve in the process will depend on whether you are looking at a specific team area or at a more strategic, organisational level. It is best practice to involve others in identifying risk as this gives you different perspectives on the same situation. Those involved must be clear about what objective is being risk assessed. Approaches to identify risks can include:

- Brainstorming on possible risks in a facilitated session;
- Mapping out the processes and procedures; asking staff to identify risks at each stage;
- Drawing up a checklist of risks and asking for feedback.

5.3 Risks should then be defined using the 'if then' (or the cause and effect or likelihood and impact) approach. Clearview will automatically allocate each risk -and given- a reference number.

5.4 Risks should be specific and worded carefully and concisely and should not consist of a single word.

5.5 Risks should be outcome based and if one cause creates several impacts, each impact should be identified separately. This is because each might result in a different score and control.

6. How to score risk

6.1 The council has produced a scorecard to help risk owner/risk managers score the risk by assessing impact and likelihood (effect & cause).

Impact

6.2 To help assess the impact (effect), we have identified a scale of impact from 1 to 5;

- 1 - Negligible
- 2 - Minor
- 3 - Moderate
- 4 - Major
- 5 - Critical

6.3 ~~Risk owner~~Risk managers are encouraged to decide the scale of the impact by considering what type of impact the risk has on the objective, using the risk types Financial, Employee, Capacity, VFM, H&S and wellbeing, Business continuity, Contractual Governance, Reputation, Customer satisfaction, Governance, Performance forecasting and Corporate Strategy. . A full description of impact type and scoring is detailed in the ‘impact scorecard’ at the end of this document (or on Clearview) which should be used when assessing risk.

Likelihood

6.4 To help the ~~risk owner~~risk manager assess the likelihood score (cause), we have identified 5 categories of likelihood that the risk will occur during the lifetime of the objective. These are:

Score	Likelihood	Probability	
1	Rare	0-9%	Less than 10% chance of occurrence
2	Unlikely	10-34%	10% to 34% chance of occurrence
3	Possible	35-64%	35% to 64% chance of occurrence
4	Likely	65-89%	65% to 89% chance of occurrence
5	Almost Certain	90-100%	90% or greater chance of occurrence

Risk score

6.5 The risk score is a multiplication of impact and likelihood.

6.6 On occasion it is possible to have a risk that proposes more than one score of impact, e.g. a single cause that could have minimal cost implications, maximum cost implications or anywhere in between. In this instance, we advise that you score and manage the risk according to the most likely scenario. Using the areas of tolerance may also help.

7. Selecting a risk control and understanding tolerance

7.1 The scored risk can then be assessed against the council’s tolerance levels. Currently we have three levels which set out the council’s attitude to that particular risk. The three tolerance levels are coloured red, amber and green. Risks that are scored in the red and amber areas will require action.

Score	Colour	Action/need to apply control	Responsibility
1-6	Green	Acceptable, subject to monitoring.	Risk owner <u>Risk manager</u>
7-15	Amber	Needs active management	Risk owner <u>Risk manager</u>
16-25	Red	Requires close attention	Risk owner <u>Risk manager</u> / ELT

7.2 The decision on how to control the risk will be made by the ~~risk owner~~risk manager or an appropriate senior officer depending on where the score falls in the tolerance areas and the costs associated with the control.

7.47.3 The council has eight options on how to control the risk;

Control	Description
Accept	The Accept option means that CBC 'takes a chance' that the risk will occur, with its full impact if it did.
Avoid	Avoid a threat is about making the uncertain situation certain by removing the risk. This can be achieving by removing the cause of a threat.

Contingent plan	This option involves preparing contingent plans now, but not taking action now. Accept but make a plan for what we will do if situation changes.
Reduce	This option chooses definite action now to change the probability and/or impact of the risk. The term mitigate is relevant when discussing reduction.
Share	Share is different to transfer as it seeks for multiple partners to share the risk on a pain /gain basis.
Transfer	Transfer the risk is an option that aims to pass part of the responsibility to a third party. Insurance is the classic form of transfer.
Enhance	Making the opportunity more likely to occur.
Exploit	Exploit an opportunity to gain positive impacts from the risk.

8. Monitoring and managing risk

8.1 As risk management is an integral part of good management our view is that risks should be reviewed by ~~the Executive~~ Leadership Team and revised as and when actions prove to be successful or unsuccessful and when new information becomes available.

<i>Progress of action</i>	<i>Further action</i>
High	Current action successful – redirect resources
Medium	Current action not as effective as first hoped make changes or think of new action.
Low	Current action unsuccessful need new action.

8.2 The identification of risk may raise the question not to pursue a course of action. If this decision is made, it must be clearly documented.

8.3 The identification of risk may raise a success or positive learning point. This should be communicated to those who may benefit.

8.4 Actions to mitigate the risk need to be identified early and the monitoring must consider if they are being effective. If they are not then ~~the project team, programme board or CMT~~ it is imperative to need to identify new mitigating actions.

9. Risk registers

9.1 ~~Most All~~ risks will be recorded on the corporate risk register.

9.2 A risk register will record:

- Risks identified - to an objective, including a reference code and specified using “if...& then...”;
- Original risk assessment and score based on impact and likelihood;
- ~~Risk owner~~ Risk manager;
- Date raised;
- Controls & actions to control the risk;
- The officer responsible for the controls and actions;
- An indication as to whether the mitigating actions are on target
- The action status including progress notes;
- Current risk assessment and score once the action has been implemented.
- The date the risk was last reviewed

~~9.3 — The Corporate Risk Register is a public document and is reported to Cabinet and Audit Committees. These reports may contain risks that contain confidential information and have been determined as being an “exempt item” under Schedule 12A of the Local Government Act 1972,~~

~~9.3 — All corporate confidential risks will handled as per 3.6.~~

~~9.4 — be recorded in the normal way but they will be redacted either in full or in part from the corporate risk register to ensure compliance with relevant legislation, to protect any personal or commercially sensitive data and the divulgence of any confidential legal advice.~~

~~9.59.4 — Advice on the wording and inclusion of any confidential risks within the Corporate Risk Register must can be sought from the Monitoring Officer ~~One Legal.~~~~

~~9.6 — The Corporate Management Team may decide that they require additional assurance in respect of a particular confidential risk because it is not in the public domain, in which case it can be referred to the Corporate Governance group. Where they are referred they will be discussed with the risk owner and the outcome referred back to the CMT.~~

~~9.7 — A process chart relating to the management of confidential risks is available on the Intranets Risk Management page.~~

Part 3 - Roles and Responsibilities

Everyone has a role to play in our risk management policy. Combining shared leadership with a team approach will help contribute to the success of integrated risk management.

10. Elected members

10.1 All elected members have risk management responsibility; they should promote the desired culture essential for successful risk management, acknowledging risk management as a strategic and operational tool to further the council’s objectives. All should feel secure that, by identifying risk in their area, they are doing so within a corporate framework that is robust and easily understood.

10.2 The risk assessment included in all reports, that require a decision, that are brought to council, cabinet and committees should be used to inform decision making and should be revisited to ensure the risks are being managed.

10.3 They will also participate in training workshops to maintain an up-to-date understanding of how CBC manages risk.

Audit Committee

10.4 Audit Committee will endorse the council’s corporate risk management policy, and at least annually, monitor and review the effectiveness of risk management systems and its contribution to corporate governance arrangements.

10.5 Audit Committee will also seek assurance from the internal audit team that risks are being managed in an appropriate manner and by the terms of this policy.

Overview and Scrutiny

10.6 The Overview and Scrutiny Committee may request to review the risk register at any time and scrutiny task groups may want to examine any risks relating to a particular project. Any recommendations from scrutiny would be made to Cabinet or Council as appropriate.

Overview and Scrutiny

~~The Overview and Scrutiny Committee may request to review the risk register at any time and scrutiny task groups may want to examine any risks relating to a particular project. Any recommendations from scrutiny would be made to Cabinet or Council as appropriate.~~

Cabinet and Council

~~10.6 — The Cabinet will approve the Risk Management Policy.~~

- 10.7 Cabinet and Council, as decision-making bodies, will be made aware of risks associated with any decision taken to them. They will have the responsibility to ensure that any risks to a report or project they sign off are managed and should request a revision of previously identified risks as and when necessary.
- 10.8 The Corporate Risk Register is provided informally to Cabinet Members so that they can monitor them and the progress of mitigating action.
- 10.9 The Corporate ~~Services~~ Cabinet Member has risk management identified as part of their portfolio. They have responsibility to ensure that their cabinet colleagues consider risk when setting policy and making decisions. These risks should be revisited to identify how they are being managed.
- 10.10 Individual cabinet members should seek assurance that the risk management process is being met in reference to their respective portfolios through discussions with Directors.
- 10.11 Cabinet Members can suggest new risks and discuss the management of any risk with the appropriate Director or ~~Risk Owner~~Risk manager

11. Officer responsibilities

- 11.1 The **Chief Executive** and ~~Executive Leadership Team~~ have strategic responsibility for the risk management policy and collectively oversee the council's effective management of risk. In their role as 'coach', they will advise and support Directors, Senior Managers, Programme and Project Managers to ensure that risk is managed consistently and in line with this policy.
- 11.2 The ~~Executive~~ Leadership Team are responsible for setting tolerance levels. The ~~risk owner~~risk manager is empowered by Executive Leadership Team to make decisions about the control of the risk, depending on the risk score and what tolerance area it falls within.
- 11.3 They will consider corporate risk as part of developing and implementing the council business plan and corporate strategies, projects and programmes.
- 11.4 The ~~Executive Leadership Team~~ are collectively responsible for the management of risks recorded on the Corporate Risk Register
- 11.5 Directors are responsible for managing risks to the delivery of the objectives of their own division, jointly with their service managers. These risks will be managed in accordance with this policy, using the risk register template attached.
- 11.6 ~~The Executive Director People and Change~~Chief Executive is responsible for minimising the overall cost of insurance claims which do arise and supporting the risk management programme by supplying any advice and data to the Board.
- 11.7 The ~~Executive Director People and Change~~Chief Executive is responsible for monitoring the implementation and effectiveness of this risk management policy and for reviewing compliance with controls introduced by all other directors to collectively manage risks through the Corporate ~~Management Leadership~~Team. Any responsibilities delegated to internal audit will be covered in the annual internal audit programme.

- 11.8 The **Audit Partnership Manager** is responsible for ensuring that where corporate risks are identified in the Annual Audit Plan they are cross referenced to the Corporate Risk Register.
- 11.9 The **Client officer** for Shared or Commissioned Service(s) will be responsible for ensuring that any external organisation that provides a service(s) for the Council will have a documented Risks Management Process that is appropriate for the size and complexity of that organisation.
- 11.10 The Client Officer will ensure that any external organisations risk management process covered in 11.9 will include the process for that organisation to inform the Council of any risk that either impacts or could impact on the Council.
- 11.11 The Client Officer will make the appropriate ~~Executive~~ Leadership Team Lead Commissioner aware of any risk that could score 16 or above on the CBC score card or in their mind would have a significant risks to CBCs finances or reputation.'

The Governance ~~Board~~Group

- 11.12 The Governance ~~Group~~Board is consulted on proposed amendments to the Risk Management Policy and the Corporate Risk Register.
- 11.13 The ~~Executive~~ Leadership Team can request that the Governance ~~Group~~Board review and challenge any risk or group of risks to ensure that they are being recorded, scored and monitored correctly. This additional review process which can be found on the intranet relates to confidential risks and is designed to provide additional assurance to ~~E~~Leadership Team and the ~~risk owner~~risk managers that they are being managed correctly.
- 11.14 **Counter Fraud Unit** - The Counter Fraud Unit is responsible for the prevention, detection and deterrence of fraud, bribery and corruption across the Council.

12. Programme and Project Managers

- 12.1 Ensure there is a process for identifying, managing and communicating risks to programme and project objectives and benefits
- 12.2 Ensure that programme and project teams carry out regular risk assessment
- 12.3 Ensure that any risk scoring 16 or above (CBC score card) is escalated to ~~ELT~~Leadership Team and considered for inclusion on the Corporate Risk Register. Managers have the discretion to bring to the attention of their Director or ~~Risk Owner~~Risk manager any risk scoring below 16 if they consider that there is a need for ELT to be made aware of it.

13. Service managers

- 13.1 **Service managers** are responsible for identifying and managing risks to the objectives of their service team in line with this policy. The council encourages managers to identify, understand and manage risk, and learn how to accept risk within the applicable tolerance level.
- 13.2 They should ensure that their teams carry out risk assessment, where appropriate, as a routine part of service planning and project management, including reporting to members.
- 13.3 Ensure that any risk scoring 16 or above (CBC score card) is escalated to ~~ELT~~Leadership Team- and considered for inclusion on the Corporate Risk Register. Managers have the discretion to bring to the attention of their Director or ~~Risk Owner~~Risk manager any risk scoring below 16 if they consider that there is a need for ~~Leadership Team~~ELT to be made aware of it.

14. All council employees

- 14.1 The identification of risk relies on input from teams and individuals.
- 14.2 A '~~Risk Owner~~Risk manager' is the owner of a risk and will manage that risk accordingly. This will involve maintaining awareness of how control actions are progressing.
- 14.3 All actions identified to control a risk will be assigned to an individual officer who will be called the '~~Risk~~ Control Owner~~Manager~~'.

Appendix 1 Risk Scorecard - Risk ManagerOwners and Managers must use the following score card as a guide to accessing the impact and likelihood -of any identified risk;—

Effect	Risk Category	Impacts <i>Please note when drafting a risk description always describe the cause and effect i.e If... then ...</i>	
Negligible	Financial	Risk (<£50K Capital) or (Revenue <£25K p.a.) Define the value and period, in relation to revenue.	
	Employee	Low morale is contained within team and managed.	
	Capacity	Short term capacity issue not affecting service delivery.	
	VFM	Negligible impact on value for money. (Revenue <£25K p.a.)	
	H&S wellbeing	Risk to personal health & safety and general wellbeing.	
	Business continuity	Brief interruption of service provision.	
	Contractual Governance	Minor breakdown of shared services or contracts.	
	Reputation	Negligible media coverage/minor complaints.	
	Customer satisfaction	Minimal impact on delivery customer needs.	
	Governance	Poor governance/Internal/ control but zero impact on outcomes.	
	Performance	Targets are missed with no impact on objectives/outcomes.	
	Risks specific to delivery of Corporate Strategy		
	Environmental outcome	Negligible impact on our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
	Economic outcome	Negligible impact on our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
	Community outcome	Negligible impact on our community economy - People live in strong, safe and healthy communities	
Business transformation outcome	Negligible impact on our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents		
Risk Category			
Minor	Finance	Risk (£50K to £200K Capital) or (Revenue £25K to £50K p.a.) Define the value and period, in relation to revenue.	
	Employee	Some hostility from staff and minor non-cooperation.	
	Capacity	Short term capacity issue affecting service provision (define term with risk description).	
	VFM	Low impact on value for money. (Revenue £25K to £50K p.a.)	
	H&S and wellbeing	Risk to personal health & safety may result in broken bones and short term illnesses.	
	Business Continuity	Slightly reduced service provision with marginal disruption.	
	Contractual Governance	Some breakdown or shared services or contracts with disruption.	
	Reputation	Adverse local media/negative local opinion/formal complaints.	
	Customer satisfaction	Some customer needs or expectations may not be met either in time or quality.	
	Governance	Governance/Internal/ control has been missed/misunderstood/not up to date resulting in poor decision making.	
	Performance	Targets are missed with low impact on objectives/outcomes.	
	Risks specific to delivery of Corporate Strategy		
	Environmental outcome	Low impact on our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
	Economic outcome	Low impact on our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
	Community outcome	Low impact on our community economy - People live in strong, safe and healthy communities	

	Business transformation outcome	Low impact on our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents
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	Risk Category	Impacts	
Moderate	Finance	Risk (£200K to £1M Capital) or (Revenue £50K to £200K p.a.) Define the value and period, in relation to revenue.	
	Employee	Industrial action in the short term/staff leaving.	
	Capacity	Medium term capacity issues affecting service (define term within risk description).	
	VFM	Moderate impact on value for money. (Revenue £50K to £200K p.a.)	
	H&S and wellbeing	Risk to personal health & safety includes sustained or major illness of 1 or more people.	
	Business Continuity	Services suspended in short term with noticeable disruption.	
	Contractual Governance	Collapse of at least one aspect of shared service or contract with moderate disruption or temporary suspended service.	
	Reputation	Adverse local & media/members questioned.	
	Customer satisfaction	Key customer needs or expectations may not be met either in time or quality.	
	Governance	Governance/Internal/ control arrangements failed leading to non-compliance with legislation and policy.	
	Performance	Targets are missed with impact on objectives/outcomes.	
	Risks specific to delivery of Corporate Strategy		
	Environmental outcome	Moderate impact on our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
	Economic outcome	Moderate impact on our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
	Community outcome	Moderate impact on our community economy - People live in strong, safe and healthy communities	
Business transformation outcome	Moderate impact on our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents		
	Risk Category	Impacts	
Major	Finance	Risk (>£1M to £2M Capital) or (Revenue £200K to £500K p.a.) Define the value and period, in relation to revenue.	
	Employee	Prolonged industrial action/significant number of staff leaving.	
	Capacity	Long term capacity issue affecting service delivery/reputation.	
	VFM	Major failure to provide value for money with major risk and external investigation. (Revenue £200K to £500K p.a.)	
	H&S and wellbeing	Risk to personal health & safety include loss of life/large scale illness.	
	Business Continuity	Service delivery suspended/Priority 1 and Priority 2 ICT systems suspended for long term with major disruption.	
	Contractual Governance	Shared service or contract delivery fails with major disruption.	
	Reputation	Major media coverage. High level of concern from elected members/officers/public with senior staff position threatened.	
	Customer satisfaction	Customer needs or expectations are not met with significant failing in service delivery.	
	Governance	Governance arrangements have failed with major reputation/legal implication and cost to recover.	
	Performance	Targets missed continuously major impact on objectives/outcomes.	
	Risks specific to delivery of Corporate Strategy		
	Environmental outcome	Major impact on our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
	Economic outcome	Major impact on our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
	Community outcome	Major impact on our community economy - People live in strong, safe and healthy communities	
Business transformation outcome	Major impact on our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents		

	Risk Category	Impacts	
Critical	Finance	Risk (>£2M Capital) or (>Revenue £500K p.a.) The value and period, in relation to revenue	
	Employee	Prolonged industrial action/permanent loss of jobs resulting in inability to deliver services.	
	Capacity	Long term capacity putting at risk personnel, assets, reputation and service delivery.	
	VFM	Critical failure to provide value for money with risk of external investigation and intervention. (>Revenue £500K p.a.)	
	H&S and wellbeing	Risk to personal health & safety includes possibility of multiple fatalities or serious injuries and illness.	
	Business Continuity	Total loss of services, ICT systems and other key assets.	
	Contractual Governance	Shared service and contract delivery fails, resulting in total loss of service or the decommissioning of delivery model.	
	Reputation	Significant local/national media coverage with failure to meet regulatory standard resulting in loss/fine.	
	Customer satisfaction	Customer needs or expectations are not met because of complete failure in service delivery.	
	Governance	Governance/Internal/ control arrangements failed with reputation/legal/cost implication.	
	Performance	If there was a critical failure to deliver on delivery of objectives/outcomes or external investigation and intervention	
	Risks specific to delivery of Corporate Strategy		
	Environmental outcome	A Critical impact on our ability to deliver our environmental outcome - Cheltenham's environmental quality and heritage is protected, maintained and enhanced	
	Economic outcome	A Critical impact on our ability to deliver our economic outcome - Sustain and grow Cheltenham's economic and cultural vitality	
Community outcome	A Critical impact on our ability to deliver our community economy - People live in strong, safe and healthy communities		
Business transformation outcome	A Critical impact on our ability to deliver our business transformation outcome - Transform our council so it can continue to enable delivery our outcomes for Cheltenham and its residents		

Likelihood scorecard

Score	Likelihood	Probability	
1	Rare	0-9%	Less than 10% chance of occurrence
2	Unlikely	10-34%	10% to 34% chance of occurrence
3	Possible	35-64%	35% to 64% chance of occurrence
4	Likely	65-89%	65% to 89% chance of occurrence
5	Almost Certain	90-100%	90% or greater chance of occurrence

The total risk score is the multiplication of impact and likelihood when the risk score has been defined consideration must be given as to the best way to manage it, the following table should be used as a guide.

<i>Code</i>	<i>Risk score</i>	<i>Risk Management view</i>
Red	16 – 25	Must be managed by ELT to reduce risk scores
Amber	7 – 15	Seek to improve the risk score in the short/medium term
Green	1 – 6	Tolerate and monitor within the department

Cheltenham Borough Council Audit Progress Report and Sector Update

April 2023



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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 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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Introduction

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This paper provides the Audit 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 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 <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

Progress at March 2023

Financial Statements Audit 2021/22

Our work on your financial statements for 2021/22 remains ongoing. The delays are in part due to the late receipt of the group accounts and resourcing constraints within our team. We are looking to recommence work on the audit shortly.

Financial Statements Audit 2022/23

We are in discussion with the Council's finance officers regarding plans for the timing of the commencement of the 2022/23 audit.

Value for Money

Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies.

We will be issuing an Auditors Annual Report which covers both 2021/22 and 2022/23 as a single document in July 2023.

Progress at March 2023 (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 2021/22 claim is underway and we are expecting to complete this work by the end of April 2023.

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Housing and Communities ("DLUHC"). The return for 2021/22 was completed in XXXXXXXX. The guidance for the 2022/23 return has not yet been published.

Meetings

We met with Finance Officers in 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 were invited to our Accounts Workshop earlier in the year, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

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. 2022/23 is the fifth 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 the period 2018/19 to 2021/22 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 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.

Infrastructure Assets Update

Background

Most local government (LG) entities, excluding police bodies, will own infrastructure assets. The balances for highways authorities will be particularly significant and are likely to be material. For LG entities with material infrastructure assets there is therefore a potential risk of material misstatement related to this balance.

The inherent risks which we identified this year in relation to infrastructure assets were:

- An elevated risk of the overstatement of gross book value and accumulated depreciation figures, due to lack of derecognition of replaced components
- A normal risk of understatement of accumulated depreciation and impairment as a result of failure to identify and account for impairments of infrastructure assets, and an over or understatement of cumulative depreciation as a result of the use of inappropriate useful economic lives (UEls) in calculating depreciation charges.



How these issues have been addressed?

Since these issues were first identified we have been working with CIPFA and the English and Scottish Governments to find both long-term and short-term solutions which recognise the information deficits and permit full compliance with the CIPFA Code. It has been recognised that longer-term solutions, by way of a Code update, will take several years to put into place and so short-term solutions have been put in place in the interim. These short-term solutions include the issue of Statutory Instruments (SIs) by government and an update to the CIPFA Code.

The CIPFA Code update was issued on 29 November 2022. The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022 – see [The Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2022 \(legislation.gov.uk\)](#). CIPFA issued [CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution](#) on 11 January 2023, which includes further guidance and illustrative examples on the depreciation of infrastructure assets and the associated useful economic lives (UEls).

Where the infrastructure asset balances are material to your financial statements, we are currently considering how the SI and Code update have been considered by the Authority, e.g. how derecognised components have been accounted for and how the financial statement disclosures have been updated. We are currently carrying out further audit procedures to assess the material accuracy of in year movements for 2021/22, including infrastructure asset additions, impairments and depreciation charges.

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

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

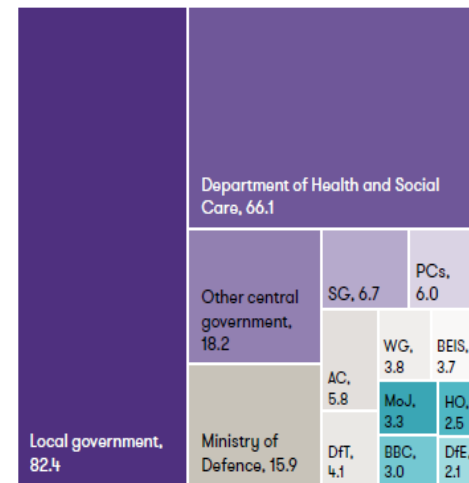
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

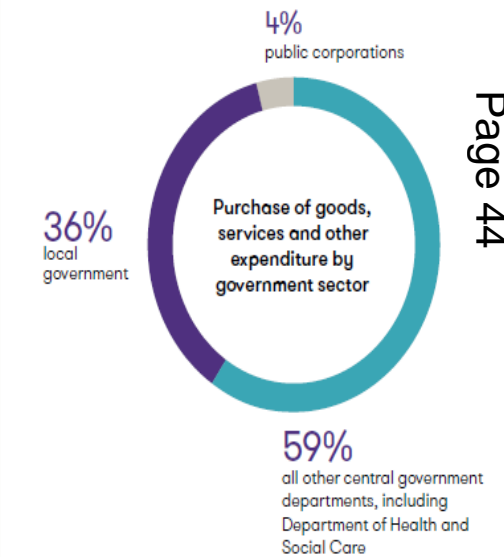
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



- PCs Other Public Corporations
- DfT Department for Transport
- WG Welsh Government
- HO Home Office
- DfE Department of Education
- SG Scottish Government
- AC Academies
- MoJ Ministry of Justice
- BBC British Broadcasting Corporation
- BEIS Department of Business, Industry Strategy

Goods, services and other expenditure by segment⁴



¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

“Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is **set to be broken**. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole. CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)

Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a ‘major’ local audit and the FRC’s report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either ‘good’ or ‘generally acceptable’, but one file ‘required improvement’.

The ICAEW identified one of our files as requiring ‘Improvement’ – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years’ review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

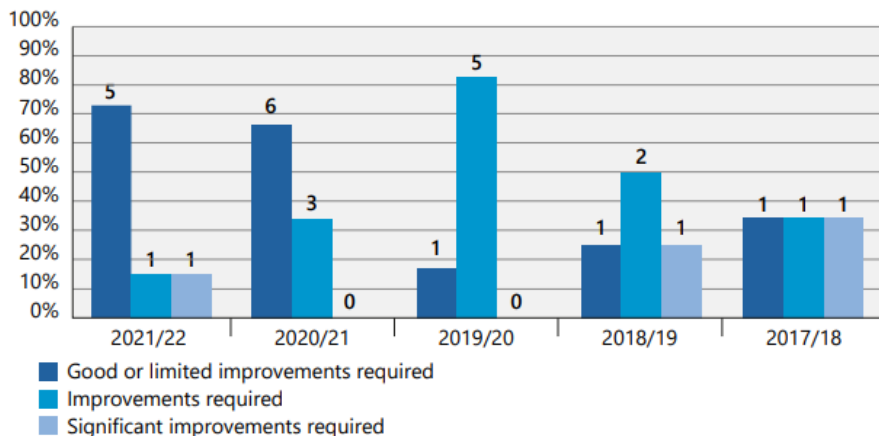
The ICAEW found that our VfM work was good on each of the files reviewed and they did not identify any issues with this aspect of the audit teams’ work.

Whilst we are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).

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Our assessment of the quality of financial statement audits reviewed



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

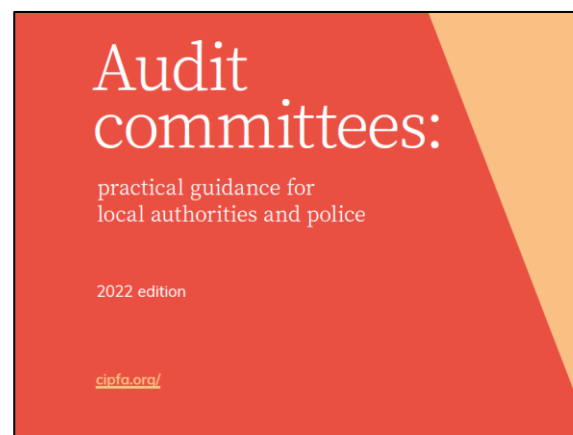
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)





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Cheltenham Borough Council

Audit, Compliance and Governance Committee – 19th April 2023

Internal Audit Progress Report

Accountable member:

Councillor Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Paul Jones, Executive Director – Finance, Assets and Regeneration

Accountable scrutiny committee:

None

Ward(s) affected:

N/A

Key/Significant Decision:

No

Executive summary:

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 Service Leadership Team and supports the work of the external auditor.

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.

Recommendations:

The Audit, Compliance and Governance Committee considers the attached reports and makes comment on its content as necessary

Implications

1.1. Financial implications

There are no financial implications arising from the report

Signed off by: Paul Jones, Executive Director Finance, Assets and Regeneration
Paul.Jones@cheltenham.gov.uk

1.2. Legal implications

There are no specific legal implications arising from the report and its recommendation.

Signed off by: One Legal, legal.services@onelegal.org.uk

1.3. HR implications

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.

Signed off by: Clare Jones, HR Business Partner, Clare.Jones@Cheltenham.gov.uk

1.4. Environmental and climate change implications

None specific arising from the report agreed actions

Signed off by: Gemma Bell, Head of Finance (Deputy Section 151 Officer),
Gemma.Bell@cheltenham.gov.uk

1.5. Property/asset implications

There are no specific Property/Asset implications arising from the content of the report

Signed off by: Gemma Bell, Head of Finance (Deputy Section 151 Officer),
Gemma.Bell@cheltenham.gov.uk

1.6. Corporate policy framework implications

The Internal Audit Plan is aligned to our Corporate Priorities and provide assurance against the achievement of corporate policy.

Signed off by: Ann Wolstencroft, Head of Performance, Projects and Risk,
Ann.Wolstencroft@cheltenham.gov.uk

2. Promoting equality and reducing discrimination

No implications arising from the report agreed actions.

3. Performance management – monitoring

Regular monitoring reports are provided to this Committee and, in the interim period regular meetings are held between Internal Audit and the Executive Director of Finance, Assets and Regeneration. New and emerging risks are discussed, and the impact of the recommendations made by Internal Audit are discussed.

4. Background

- 4.1. The Audit Plan for 2022/23 was approved by this Committee in April 2022. 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 considered 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.
- 4.2. 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.
- 4.3. 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.

5. Reasons for recommendations

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

6. Alternative options considered

- 6.1. None

7. Consultation and feedback

- 7.1. *None*

8. Key risks

- 8.1. That weaknesses within the control framework, identified by the Internal Audit Activity, continue to threaten organisational objectives, if agreed actions are not implemented.
-

Report author:

Lucy Cater, Head of Internal Audit

Assistant Director, SWAP Internal Audit Services, Lucy.Cater@swapaudit.co.uk

Appendices:

Appendix A – IA Progress Report, April 2023

Appendix B – Agreed Actions

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Cheltenham Borough Council

Report of Internal Audit Activity

April 2023

Contents

The contacts at SWAP in connection with this report are:

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Jaina Mistry

Principal Auditor

Tel: 01285 623337

jaina.mistry@swapaudit.co.uk

- Contents:

Internal Audit Definitions

Audit Plan Progress

Finalised Audit Assignments

Internal Audit Definitions

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

- **No**
- **Limited**
- **Reasonable**
- **Substantial**



Audit Framework Definitions

Control Assurance Definitions

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

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Internal Audit Definitions

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.



Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

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

Definitions of Risk

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

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Procurement Cards	Final Report	Low Reasonable	2	-	1	1	Reported in September
ICT	Vulnerability Management	Final Report	High Reasonable	1	-	1	-	Reported in September
Operational	Election Expenses – Treatment of VAT	Final Report	Medium Substantial	0	-	-	-	Reported in September
Operational	Risk Management	Final Report	N/A					Reported in January
Operational	Publica Performance Information	Final Report	Medium Reasonable	2			2	Reported in January
Operational	Taxi Licensing – Safeguarding	Final Report	Low Reasonable	5		2	3	Reported in January
Operational	Climate Change (Strategic)	Final Report	Medium Substantial					Reported in January
Operational	Accounts Payable (Qtly review)	Continuous						See Appendix C
Key Financial Control	Revenues and Benefits <ul style="list-style-type: none"> • Council Tax & NNDR • Housing Benefit & CTS Scheme 	Final Report	Medium Substantial	1	-	-	1	See Appendix C
			High Substantial	0	-	-	-	
Operational	Minster Xchange	Draft Report						
Key Financial Control	Accounts Receivable	Draft Report						
Key Financial Control	Payroll	Draft Report						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Treasury Management	In Progress						
Operational	Business Continuity Management	In Progress						
ICT	Risk Management	In Progress						
Operational	Mechanism for Charging Council							Commenced but deferred as piece of work being undertaken by Publica Officers
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Advisory	Procurement and Commissioning Group	On-Going						
Grant Certification	Protect and Vaccinate	Complete	N/A					
Grant Certification	Test and Trace Payment Scheme	Complete	N/A					
Grant Certification	Contain Outbreak Management Fund	Complete	N/A					
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	On Going						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
					Other Audit Involvement	Contingency – Provision for New Work based on emerging risks		

The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

Council Tax & NNDR Systems, and Housing Benefit & Council Tax Support Scheme – Final Report – February 2023

Audit Objective

To review the effectiveness of internal controls operating over collection and recovery actions ensuring the Council’s policy and financial rules are complied with and that processes meet external codes of practice, professional good practice and statutory standards are applied.

Assurance Opinion – Council Tax and NNDR		Number of Actions	
	<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	Number
		Priority 1	0
		Priority 2	0
		Priority 3	1
		Total	1
Assurance Opinion – Housing Benefit and Council Tax Support Scheme		Number of Actions	
	<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	Number
		Priority 1	0
		Priority 2	0
		Priority 3	0
		Total	0

Key Findings	
	<p>Suppressed Accounts Reports for the Council Tax and NNDR (Business Rates) systems do not show clear separation of duties.</p>
	<p>The process for the recovery, and write off, of Council Tax and Business Rates is sound. A clear audit trail is maintained within the Civica Open Revenues system to evidence actions and decisions taken. Key control testing confirmed effective processes are undertaken.</p>
	<p>The process for the recovery of Housing Benefit Overpayments is sound. A clear audit trail is maintained within the Civica Open Revenues system to evidence actions and decisions taken. Access to sensitive cases is restricted ensuring confidentiality is maintained and data is secure. Key control testing confirmed effective processes are undertaken. We did not identify any areas for improvement actions.</p>

Risks Reviewed	Assessment
<p>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.</p>	<p>Low</p>
Risks Reviewed	Assessment
<p>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.</p>	<p>Low</p>

Audit Scope
<p>This year’s review focussed on collection and recovery processes and key control testing as follows:</p> <ul style="list-style-type: none"> • Council Tax and NNDR systems <ul style="list-style-type: none"> ○ Recovery, enforcement and write off procedures. ○ Collections - Payments and Direct Debit collections. • Housing Benefit & Council Tax Support Scheme <ul style="list-style-type: none"> ○ Overpayments, Recovery, Payments/Plans, write off procedures. • Key Controls for all systems <ul style="list-style-type: none"> ○ Financial Reconciliations / Suspense clearing. ○ Independent review of exceptions, e.g., suppressed accounts, accounts in credit, overpayments, refunds.

Conclusion

Overall, processes in place surrounding Council Tax, Business Rates, and Housing Benefits Overpayments are well managed, thorough, and are conducted in a timely manner.

We have raised one priority 3 action regarding Suppressed Account Reporting, which when complete will further strengthen the processes in place.

Discussions were held with officers undertaking the above processes, the Revenues and Benefits Leads, the Technical Leads, and Business Partner Accountant. Evidence sought to support statements made. The test period covered October 2021 – September 2022.

Accounts Payable Quarterly Analysis – Final Report – February 2023

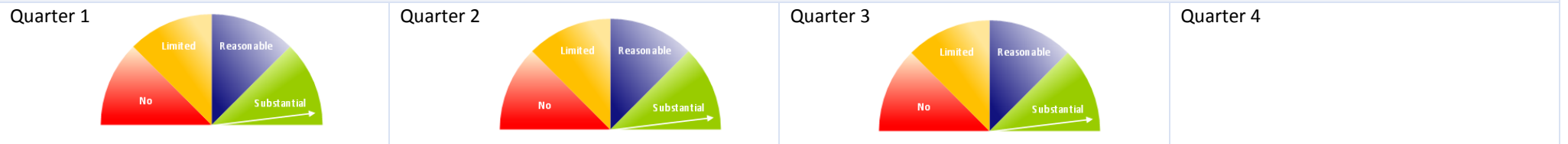
Audit Objective

The objective of the continuous review is to identify potential duplicate payments, summarise, and present to the AP team for remedial action.

Audit Scope

Our review covers a period of 2 years, checking for potential duplicate payments at CBC, and between CBC and/or Publica, CBH or another Council. Findings have been summarised and reported to the Accounts Payable team for further review and remedial action where necessary. Findings have been followed-up during the subsequent review.

Assurance Opinion



The assurance provided above relates only to the controls and processes operated by the Publica Accounts Payable service.

Testing / Findings	Q1 (July 22)	Q2 (Nov 22)	Q3 (Feb 23)	Q4
Total number of payments made	1914	1979	3750	
Number of potential duplicate payments identified (paid twice by CBC)	12	2	1	
Potential duplicate payments as a % of the total number of payments made for the quarter	0.6%	0.1%	0.03%	
Value of potential duplicate payments (In Q1 £50.9k was stopped by AP before payment was processed)	£56,343	£2,233	£107	
Number of potential duplicate payments identified (paid by CBC and CBH)	1	0	2	
Potential duplicate payments as a % of the total number of payments made for the quarter	0.05%	-	0.05%	
Value of potential duplicate payments	£480	£0	£2,288	
Total value of outstanding payments to be recovered	£100	£2,367	£4,561	

Conclusion

Although effective AP controls are in place to identify potential duplicate payments, CBC and CBH officers (HRA transactions) are responsible for approving invoices for payment and therefore must ensure robust checks are undertaken prior to authorising a payment. This will help to limit the risk of duplicate payments being processed.

This continuous report will be included within the annual AP audit report and will support the annual assurance score.

Agreed Actions - Cheltenham BC

Report 20TH MARCH 2023

Issue ID	Audit	Issue Title	Issue Status	Priority Score	Action Plan Status	Timescale	Responsible Officer	Revised Timescale	Revised Timescale 2	Action Plan Remediation Date	IA Comment
OPEN / OUSTANDING AGREED ACTIONS											
382	Planning Enforcement - 2020/21	The Built Environment Local Enforcement Plan (Planning) has not been recently reviewed (Pentana 44647)	Pending Remediation	3	In Progress	31/07/21	Senior Enforcement and Compliance Officer	30/04/22	30/06/23		Followed Up Jan 2023. LEP Partially drafted
403	Accounts Receivable - 2021/22	Write off Separation of duties are not in place. (Pentana 47056)	Pending Remediation	2	In Progress	31/10/22	Business Manager - Finance	31/03/23			Followed up in the annual AR review which is currently at draft stage
404	Accounts Receivable - 2021/22	Debt Management, recovery and write off guidance is not available. (Pentana 47096)	Pending Remediation	2	In Progress	31/10/22	Business Manager - Finance	31/03/23			Followed up in the annual AR review which is currently at draft stage
305	Vulnerability Management (Shell) - Apr 2022	Device Security Status Checks could be enhanced. (Pentana 47107)	Pending Remediation	2	In Progress	31/01/23	Chief Technological Officer	31/03/23			
315	Procurement Cards (Business Charge Cards) - Jun 2022	Policy Review not undertaken since 2015. (Pentana 47127)	Pending Remediation	3	In Progress	30/09/22	Head of Finance	26/01/23	30/06/23		Policy to be reviewed. Timescale revised to allow for final accounts to be prepared.
314	Procurement Cards (Business Charge Cards) - Jun 2022	Non-Compliance with Policy / Agreed Protocols (Pentana 47129)	Pending Remediation	2	In Progress	30/09/22	Head of Finance	26/01/23	30/06/23		Once the Policy is reviewed it will be published on the staff intranet
384	Monitoring the Performance of Strategic Commissioned Services - 2021/22	Strategic Commissioned Service risk not identified in risk register. (Pentana 46754)	Pending Remediation	2	In Progress	30/06/22	Executive Director Finance, Assets and Regeneration	31/03/23			
316	Publica Performance Information - Apr 2022	KPI Definitions & Targets have not been reviewed since they were first developed. (Pentana 47714)	Pending Remediation	3	In Progress	31/03/23	Head of Performance, Projects and Risk				
317	Publica Performance Information - Apr 2022	Management Checks not undertaken on the validity of data provided by Publica (Pentana 47715)	Pending Remediation	3	In Progress	31/03/23	Client Officer				
318	Taxi Licensing (Safeguarding) - Jun 2022	6 monthly enhanced DBS checks are not completed as per the Common Standards (Pentana 47390)	Pending Remediation	2	In Progress	31/03/23	Senior Licensing Officer				
320	Taxi Licensing (Safeguarding) - Jun 2022	Safeguarding training assurance not sought from attendees. (Pentana 47396)	Pending Remediation	3	In Progress	31/12/22	Senior Licensing Officer	31/05/23			
321	Taxi Licensing (Safeguarding) - Jun 2022	There are no agreed timeframes for informal taxi complaints (Pentana 47404)	Pending Remediation	3	In Progress	31/12/22	Senior Licensing Officer	28/02/23			Awaiting response
322	Taxi Licensing (Safeguarding) - Jun 2022	Certificate of good character declaration is not always available. (Pentana 47472)	Pending Remediation	3	In Progress	31/12/22	Senior Licensing Officer	28/02/23			Awaiting response
319	Taxi Licensing (Safeguarding) - Jun 2022	Monitoring is not regularly undertaken. (Pentana 47478)	Pending Remediation	2	In Progress	31/03/23	Senior Licensing Officer				
579	Revenues & Benefits - Dec 2022	Suppressed Accounts Reports do not show clear separation of duties.	Open	3	In Progress	31/03/23	Head of Revenues and Benefits				Follow Up in progress

Issue ID	Audit	Issue Title	Issue Status	Priority Score	Action Plan Status	Timescale	Responsible Officer	Revised Timescale	Revised Timescale 2	Action Plan Remediation Date	IA Comment
COMPLETED / CLOSED AGREED ACTIONS											
44563	Cyber Security - Incident Management	There is no clear tracking mechanism for ongoing and recurring vulnerabilities.	Closed	3	Closed - Recommendation Complete	31/12/21		30/06/22		11/07/22	
44552	ICT Audit Deployment of Anti-Malware Devices	There is currently no formal process in place to review, identify, validate and remediate gaps in anti-malware status and coverage.	Closed	3	Complete	31/10/21		30/04/22		11/07/22	
44560	Cyber Security - Incident Management	The Incident Management Policy, along with the Information Security Framework of policies, were last updated in 2017.	Closed	2	Complete	30/04/21		30/09/22		13/10/22	
44561	Cyber Security - Incident Management	Incident Response plans are not fully documented.	Closed	3	Complete	31/12/21		30/09/22		15/09/22	
44562	Cyber Security - Incident Management	Incident Management and investigation procedures are not documented.	Closed	2	Complete	31/12/21		30/09/22		15/09/22	
44678	Asset Management	Reconciliation between the Uniform system and the Council's finance system is not completed as per the Financial Rules.	Closed	2	Complete	30/06/21		31/03/22		18/05/22	
45115	Systems Administration	Privileged user accounts remain active when not required.	Closed	2	Closed - Recommendation Complete	31/01/22		30/06/22		17/05/22	
45236	Systems Administration	A lack of control surrounds the Business World SYSTEM account.	Closed	2	Complete	31/01/22		30/06/22		12/04/22	
44743	Revenues and Benefits	User Ids are not disabled when no longer required. Group permissions are not reviewed.	Closed	3	Complete	31/01/22		30/04/22		13/07/22	
45747	ICT Audit Data Recovery Capabilities	A Data Recovery Test Schedule was not available.	Closed	3	Complete	31/12/21				08/06/22	
47154	Procurement Cards	Transparency Data not published in a timely manner	Closed	3	Complete	30/09/22				23/06/22	
46173	Emergency Planning	Some Gold Commanders have not undertaken training in the last 3 years.	Closed	2	Complete	31/03/22		30/06/22		26/07/22	
46219	Emergency Planning	CBC Emergency Planning is not fully resourced.	Closed	1	Complete	31/01/22		30/06/22		26/07/22	
46708	Monitoring the Performance of Strategic Commissioned Services	Corporate Risk Register	Closed	2	Closed - Recommendation Complete	30/06/22				07/09/22	
46851	ICT - Control of Accounts with Administrative Privileges	Accountability (enforced reason entry to view accounts)	Closed	3	Complete	30/11/22				13/10/22	
47089	ICT - Control of Accounts with Administrative Privileges	Last (current) Logged on user within Virtual environments	Closed	3	Complete (Client Self Assessment)	30/11/22				13/10/22	
46438	H & S Fire Risk Assessments	There is no fire risk assessment work schedule	Closed	2	Complete	31/03/22		31/07/22		12/10/22	
46745	Monitoring the Performance of Strategic Commissioned Services	SWAP Board Papers	Closed	2	Complete	30/06/22				27/09/22	
47032	ICT - Control of Accounts with Administrative Privileges	Administrator Rights	Closed	3	Closed - Recommendation Complete	30/11/22				05/01/23	
381	Revenues and Benefits - 2019/20	Discounts and exemption reviews undertaken ar	Closed	3	Complete	31/03/20		31/12/22		24/01/23	
383	Emergency Planning - 2021/22	No guidance for the use of Emergency Response	Closed	2	Complete	31/01/22		31/12/22		17/01/23	

Cheltenham Borough Council

Audit, Compliance and Governance Committee – 19th April 2023

Internal Audit Plan and Charter 2023/24

Accountable member:

Councillor Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Paul Jones, Executive Director – Finance, Assets and Regeneration

Accountable scrutiny committee:

None

Ward(s) affected:

N/A

Key/Significant Decision:

No

Executive summary:

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 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.

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).

Recommendations:

The Audit, Compliance and Governance Committee approves the Proposed 2023/24 Internal Audit Plan

Implications

1.1. Financial implications

There are no financial implications arising from the report

Signed off by: Paul Jones, Executive Director Finance, Assets and Regeneration
Paul.Jones@cheltenham.gov.uk

1.2. Legal implications

There are no specific legal implications arising from the report and its recommendation.

Signed off by: One Legal, legal.services@onelegal.org.uk

1.3. HR implications

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.

Signed off by: Clare Jones, HR Business Partner, Clare.Jones@Cheltenham.gov.uk

1.4. Environmental and climate change implications

None specific arising from the report agreed actions

Signed off by: Gemma Bell, Head of Finance (Deputy Section 151 Officer),
Gemma.Bell@cheltenham.gov.uk

1.5. Property/asset implications

There are no specific Property/Asset implications arising from the content of the report

Signed off by: Gemma Bell, Head of Finance (Deputy Section 151 Officer),
Gemma.Bell@cheltenham.gov.uk

1.6. Corporate policy framework implications

The Internal Audit Plan is aligned to our Corporate Priorities and provide assurance against the achievement of corporate policy.

Signed off by: Ann Wostencroft, Head of Performance, Projects and Risk,
Ann.Wostencroft@cheltenham.gov.uk

2. Promoting equality and reducing discrimination

No implications arising from the report agreed actions.

3. 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.

Regular monitoring reports are provided to this Committee and, in the interim period regular meetings are held between Internal Audit and the Executive Director of Finance, Assets and Regeneration. New and emerging risks are discussed, and the impact of the recommendations made by Internal Audit are discussed.

4. Background

Internal Audit Plan

- 4.1. The primary role of Internal Audit is to provide assurance that the Council's systems provide for a proper administration of its affairs. To this end, Internal Audit carries out a programme of audits that is agreed annually with the Council's Leadership Team and the Audit, Compliance and Governance Committee. The Internal Audit service is provided to the Council by SWAP Internal Audit Services (SWAP).
- 4.2. 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.

Internal Audit Charter

- 4.3. The Internal Audit Charter is a requirement of the arrangement between Cheltenham Borough Council and 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).
- 4.4. The Charter demonstrates how the Internal Audit service will operate, and forms part of the requirements of the Public Sector Internal Audit Standards.
- 4.5. The Charter provides guidance on authority, accountability, customer care (quality control), independence, reporting, responsibility and audit standards.

5. Reasons for recommendations

Internal Audit Plan

- 5.1. A summary of the Proposed Internal Audit Plan for 2023/24 is included in Appendix 'A'. 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.
- 5.2. The Plan outlines a programme of work for 2023/24 as developed throughout January and February 2023 but 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.

- 5.3. 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 the Executive Director of Finance, Assets and Regeneration and review of the Authority's risk register will be considered in this process.
- 5.4. The audit plan contains 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.

Internal Audit Charter

- 5.5. Without an approved charter there is a risk that SWAP will not have:
- The support of management and the Council
 - Direct access and freedom to support senior management including the Chief Executive and the Audit, Compliance and Governance Committee
 - Access to any records, personnel or physical property of the Council for audit work.

6. Alternative options considered

- 6.1. None

7. Consultation and feedback

- 7.1. The plan has been developed following consultation with and feedback from Service Managers Team, Leadership Team, the Internal Audit Team and the Audit, Compliance and Governance Committee.

8. Key risks

- 8.1. That potential weaknesses within the control framework are not identified and threaten the Council's objectives to meet its corporate priorities.

Report author:

Lucy Cater, Head of Internal Audit

Assistant Director, SWAP Internal Audit Services, Lucy.Cater@swapaudit.co.uk

Appendices:

Appendix A – Proposed Internal Audit Plan 2023/24

Appendix B – Internal Audit Charter

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions

Guidance for officers (delete once assessment is completed)

Risk reference

If the risk is already on Clearview put in the reference; if not, leave blank until added to Clearview.

Risk description

Identify the event or trigger which may generate some new or increased risk to the council. Significant risks which are already identified are recorded on the Clearview and form part of the Corporate Risk Register. Please use *“If xx happens then xx will be the consequence” (cause and effect)*. For example *“If the council’s business continuity planning does not deliver effective responses to the predicted flu pandemic then council services will be significantly impacted.”*

Risk owner

Identifying the person who will take responsibility for the overall risk.

Impact score

Use the risk management policy scorecard to evaluate the severity of impact(s); enter the highest score you gave:

- 1 - Negligible
- 2 - Minor
- 3 - Moderate
- 4 - Major
- 5 – Critical

Likelihood

Assign a score according to probability, timing or frequency; again enter the highest score you gave:

- 1 – Rare
- 2 - Unlikely
- 3 - Possible
- 4 - Likely
- 5 - Almost Certain

Raw risk score

The initial risk score is the impact score multiplied by the likelihood score. This is called the raw risk score, without any controls in place to mitigate the risk.

Risk response

For each risk identified, a risk response should be identified.

- Reduce the risk
- Accept the risk
- Transfer the risk to a third party
- Avoid the risk
- Prepare a contingent plan
- Share the risk

- Enhance the risk
- Exploit the risk

Managing the risk: Control/mitigating action

There are usually things the council can do to reduce either the likelihood or impact of a risky event. Mitigating controls can already be in place, such as budget monitoring. New controls or actions may also be possible, such as agreeing SLA's with partners, or obtaining additional funds.

Ownership

Identify the person who will manage/implement the risk controls/actions.

Deadline

Put in a deadline for the completion of each control or action

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Cheltenham Borough Council

Proposed Internal Audit Plan 2023/24

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2023/24 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 2023/24

The proposed 2023/24 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 2023/24 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.

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 2023/24 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.

Core Audit Areas – Areas of Coverage and Brief Scope	Responsible Officer
<p>Core Financials – Publica Controls (where applicable) and Transactional Testing A review of the controls operating within the Council, and Publica, in respect of the Core Financial systems:</p> <ul style="list-style-type: none"> • Accounts Payable (Creditors) – to include regular check of potential duplicate payments and reporting to AP service for investigation. Approvals on BW • Accounts Receivable (Debtors) – Aged Debt • Treasury Management • Bank Reconciliation • Main Accounting • Procurement – suggested areas but to be agreed on highest risk to organisation <ul style="list-style-type: none"> - Process for appointing consultants - Waivers - Audit to assess if contract waivers are being requested and approved in accordance with strategy / policy 	<p style="text-align: center;">Director of Finance, Assets and Regeneration</p>
<p>Human Resources Transactional review</p> <ul style="list-style-type: none"> • Payroll – suggested area to be agreed with BM based on highest risk to organisations. <ul style="list-style-type: none"> - Accuracy and timeliness of data for mileage / overtime, approvals, self-serve. 	<p style="text-align: center;">Publica Assistant Director, Organisational Effectiveness</p>
<p>Revenues and Benefits A review of the controls operating in respect of:</p> <ul style="list-style-type: none"> • Council Tax • National Non-Domestic Rates • Housing Benefit and Council Tax Support <p>Scope to be confirmed</p>	<p style="text-align: center;">Head of Revenues & Benefits</p>
<p>ICT Audits Audits to be discussed and confirmed with the Chief Technology Officer and ICT Audit and Compliance Manager</p>	<p style="text-align: center;">Publica ICT Business Manager</p>
<p>Regulatory Services A review of either Licensing / Building Control / Environmental Health – suggested area to be reviewed is Pest Control A review of an element of Planning e.g. application processing, appeals, income allocation. Area and scope to be confirmed</p>	<p style="text-align: center;">Head of Public Protection & DEPLO</p>

Internal Audit Planning 2023/24

Business Continuity Planning <i>Review of the corporate arrangements and plans.</i>	Director of Climate Change & Place
Proposed Audit Areas – Areas of Coverage and Brief Scope	
Business Grant Post Payment <i>Head of IA working with CFEU Manager re. recovery of overpayment of grants, Bad Debt information to BEIS</i>	Director of Finance, Assets and Regeneration
Counter Fraud and Enforcement Unit <i>Review to include processes operated by CFEU, access to data, reporting and governance</i>	Director of Finance, Assets and Regeneration
Freedom of Information Requests (Fol) <i>Audit to include Framework, Processes, Training and Quality Control</i>	Head of Customer Services & Business Support
Data Protection <i>Security of Data, training provision, reporting arrangements</i>	Head of Public Protection & DEPLO
Transparency Data <i>Review to ensure all data is published in accordance with the Transparency Agenda</i>	Director of Finance, Assets and Regeneration
Climate Change - Operational <i>Review to assess what business areas are doing to support the Council's commitment to the Climate Emergency</i>	Director of Climate Change & Place
Carbon Reduction <i>Review to assess how carbon data is measured ensuring the Council continues to meet its commitment to carbon reduction.</i>	Director of Climate Change & Place
Environment Legislation <i>Review to ensure procedure / systems have been updated to ensure compliance with Environment Act</i>	Head of Public Protection & DEPLO
Funding Provided by Government <i>Review to ensure processes are in place to support outcomes of funding provided by Central Government e.g. Levelling Up, Shared Prosperity</i>	Head of Place Marketing & Inward Investment
Section 106s <i>This review is to determine whether funds are being spent appropriately and within set timescales.</i>	Director of Communities & Economic Development
Grant Income <i>Audit to assess the effectiveness of the management of grant income by Service Managers. To include communications with the Finance Service and the allocation of income.</i>	Director of Finance, Assets and Regeneration / Head of Communities, Wellbeing & Partnerships
Homelessness Rent Deposit Guarantee (RDG) Scheme <i>Review to include procedure / process, agreements, recovery of funds, write offs</i>	Housing Strategy & Partnerships Manager

<p>Housing Ukrainian Families <i>Review to assess the end to end process for housing Ukrainian Families ensuring CBC are meeting their agreed obligations</i></p>	<p>Housing Strategy & Partnerships Manager</p>
<p>Performance Management & Escalating Operational / Strategic Risks <i>Review to assess how high scoring operational / strategic risks are included on the Council's Corporate Risk Register, to ensure Statutory Officers are aware of any potential risks to the Council and can suggest measures for mitigation. To include how KPIs are being used to mitigate risks.</i></p>	<p>Head of Performance, Projects and Risk</p>
<p>HR - Staff Support and Development <i>Assessment of the support in place for staff welfare, during world, national and local issues which may impact staff wellbeing. To Include how managers are being supported to manage their teams/resources, training and development offering, issues raised in one to ones (collated and actioned)</i></p>	<p>Head of Performance, Projects and Risk</p>
<p>Procurement Strategy <i>Review to ensure procurement of new contracts is in accordance with the updated, and approved, strategy</i></p>	<p>Publica Assistant Director, Business Services</p>
<p>Project Development and Control <i>Review to assess project development and decision making to include capacity concerns.</i></p>	<p>Head of Performance, Projects and Risk</p>
<p>Property related H&S Compliance <i>Review to determine how statutory Health and Safety regulations are being adhered to both at the Municipal Offices and properties managed by the Cheltenham Trust. The rolling programme of reviews to include fire, water and electrical considerations.</i></p>	<p>Director of Finance, Assets and Regeneration</p>
<p>Community Grants (Mandatory and Discretionary) <i>How is the Council performing and is VFM considered, review to include benchmarking</i></p>	<p>Director of Finance, Assets and Regeneration / Head of Communities, Wellbeing & Partnerships</p>
<p>Community Infrastructure Levy (CIL) Governance <i>Review of the governance of CIL, as adopted by the Council, review to include benchmarking to similar councils and recommendations for improvements</i></p>	<p>Director of Communities & Economic Development</p>
<p>Car Parking (2024/25) <i>Scope to be agreed</i></p>	<p>Head of Revenues & Benefits</p>
<p>Proposed audits will be considered, during the year, and discussed with Service Managers and Directors to confirm scope, timing and if it remains appropriate to undertake the audit. Liaison meetings will also identify any further areas (not included above) that would benefit from an Internal Audit Review. The Audit Plan will be updated, and agreed with Executive Director, Finance, Assets & Regeneration as necessary</p>	

Further requested assurance / advisory / support work	
Other Audit Involvement	
<p>Management <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 CFO and Leadership Team. IA Team Liaison Meetings with Head of Service.</i></p> <p>Follow-Up Audits <i>Follow-Up of Previous Year's Agreed Actions</i> <i>Follow-Up audit of all High Priority Agreed Actions</i></p> <p>Programmes and Projects <i>IA support to programmes and projects as appropriate</i></p> <p>Grant Certification <i>Review (income and expenditure) and certification of Grants received by the Council ensuring funding requirements have been met (to include Disabled Facilities Grants)</i></p> <p>Working with the Counter Fraud and Enforcement Unit <i>Provision to ensure collaborative working with the CFEU and to ensure control weaknesses, identified during CFEU activity, are being actioned. Regular liaison meetings</i></p> <p>Contingency <i>Provision for new work based on emerging risks and Investigations.</i></p>	



Cheltenham Borough Council

Internal Audit Charter 2023/24

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

Management¹

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.

¹ In this instance Management refers to the Senior Management Team

Audit, Compliance and Governance Committee²

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 Executive³) 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.

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

³ 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 2023

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Cheltenham Borough Council

Audit, Compliance and Governance Committee

19 April 2023

Counter Fraud and Enforcement Unit Report

Accountable member:

Cabinet Member Finance and Assets, Councillor Peter Jeffries

Accountable officer:

Paul Jones, Executive Director Finance and Assets

Ward(s) affected:

All indirectly

Key Decision: No

Executive summary:

The purpose of the report is to provide the Audit, Compliance and Governance Committee with assurance over the counter fraud activities of the Council. Direct updates will continue to be provided biannually.

Work plans are presented detailing progress and results for consideration and comment as the body charged with governance in this area.

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.

Recommendations:

That the Audit, Compliance and Governance Committee:

- considers the report and work plan at Appendix 2 and makes comment as necessary.
-

1. Implications

1.1. Financial, Property and Asset implications

The report details financial savings generated by the Counter Fraud and Enforcement Unit.

Signed off by: Gemma Bell, Head of Finance and Assets (Deputy S151 Officer),
Gemma.Bell@cheltenham.gov.uk

1.2. Legal implications

In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

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.

Signed off by: One Legal, legalservices@onelegal.org

1.3. Environmental and climate change implications

Not applicable.

1.4. Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Being a more modern, efficient and financially sustainable council

1.5. Equality, Diversity and Inclusion Implications

The CFEU seeks to ensure that public authorities' actions are consistent with the Human Rights Act 1998 (HRA). It balances safeguarding the rights of the individual against the needs of society as a whole to be protected from crime and other public safety risks.

2. Background

- 2.1. In administering its responsibilities the 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 a Councillor.

- 2.2. 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 priorities and community plans.
- 2.3. 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 counter fraud activity.
- 2.4. Work plans have been agreed with the Head of Finance and Assets. The Committee, as the body charged with governance in this area, is presented with a copy of the work plan for

information.
- 2.5. Attached at Appendix 2 is a copy of the work plan for 2022/2023.
- 2.6. The work plan for 2023/2024 is being finalised but will include the following additions:
 - Proactive work in relation to Council Tax Single Person Discounts;
 - Proactive work in relation to small business rates relief;
 - Development of service area fraud risk registers commencing with the higher risk areas;
 - Proactive work within procurement to include a review of small suppliers.

3. Report

3.1. Counter Fraud and Enforcement Unit Update

- 3.2. The CFEU Head of Service forms part of the core Multi-Agency Approach to Fraud (MAAF) group. The core group consists of attendees from Gloucestershire Constabulary Economic Crime Team, Trading Standards, Victim Support, NHS and colleagues from Gloucester City and County Councils. The MAAF has been set up to discuss fraud trends, victim care and communication of fraud scams across Gloucestershire. Through collaborative working the main purpose is to raise awareness to minimise and disrupt fraud across the County.
- 3.3. The CFEU will be facilitating and assisting in getting targeted information on current scams, or guidance, to identified vulnerable groups through our Communications Teams, but also via our staff that are out in the community or within our customer contact points / reception areas. We are working with Gloucestershire Constabulary's Fraud PROTECT Officer whose role is to provide fraud-safeguarding advice to individuals and groups within our communities. We will be attending the Council Offices to deliver her presentation to Borough Councillors to raise awareness of the MAAF Group so that they may share information with their constituents. In addition, we have discussed cascading the same presentation to Town and Parish Councillors via the appropriate forum. The sessions would help to safeguard local communities against the fraud threats currently targeting individuals in Gloucestershire. The presentation equips people with information to stay safe online, teaching them how to spot phishing messages and how to report them. I would also take the opportunity to talk about the CFEU Partnership, fraud risks to the public purse and how to report concerns.

- 3.4. As part of the fraud risk strategy work stream, the Government Functional Standard and the Local Government FFCL checklists have been completed. These will be summarised and presented to the Head of Finance and Assets with suggested areas of improvement or future work streams. In addition, work will also commence with the Corporate Director and Monitoring Officer in relation to integrating the checklist standards within the Annual Governance Statements. A summary of this will be presented to Audit, Compliance and Governance Committee in due course with an update in relation to the service specific fraud risk registers.
- 3.5. The CFEU has developed a fraud awareness leaflet and whistle-blowing flowchart to be issued to all staff for information and with an update confirming that the Counter Fraud and Anti-Corruption and Whistle-Blowing Policies have recently been updated. The leaflet will also form part of the induction pack for new starters. A copy can be issued to the Committee if requested.
- 3.6. All post payment assurance activities have now been completed by the CFEU in relation to the Business Grant Schemes. Our focus has now moved to debt; recovery, reconciliation and transfer to BEIS. As previously reported, invoices totalling £106,098 have been raised and of this figure, £69,764 has been recovered. £36,334 remains outstanding.
- 3.7. Assurance work has commenced in relation to the Test and Trace payments made on behalf of the Department for Work and Pensions. 12 payments representing 10% of all successful applications for the mandatory scheme have been reviewed. This has resulted in 5 cases having been closed no further action, 2 cases of recovery totalling £1,000 and 5 which are currently pending evidence.
- 3.8. 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.
- 4 of the 81 matches relating to business grant data remain outstanding.
 - The team have reviewed the 1027 matches relating to this year's data upload. 38 accounts have been updated resulting in £21,138 increased revenue.
- 3.9. The review of the Housing Waiting List has been completed. This included verification of applications within Emergency Band (49 applications), Gold Band (59 applications) and Silver Band (521 applications). This resulted in 159 recommendations being referred to the Housing Team, results are still pending. Each cancelled housing application represents a property which can be reallocated to another eligible family. The National Fraud Initiative applies a figure of £3,240 for each application removed, to represent the value of future losses prevented as a result of removing an applicant. This represents a saving on the cost of temporary accommodation. In addition, the result of the band re-prioritisation is that those families who are correctly banded have a greater chance of being housed and housed more speedily.
- 3.10. A significant project in early 2022 related to supporting the Revenues Team with verification activities for the payment of the £150 Energy Rebate. The CFEU received 7,747 cases of which 2,085 required further checks and information.

3.11. In addition to the work carried out under the annual work plan attached at Appendix 2, as a dedicated investigatory support service, the CFEU 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.

3.12. 2022/2023:

- The team has received 29 referrals from across the Council and closed 34 cases. This excludes any Council Tax Reduction Scheme referrals.
- Three Council Tax Discounts were removed resulting in £2,202 increased billing.
- The CFEU undertakes the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support) and act as the single point of contact for

Department for Work and Pensions (DWP) Housing Benefit investigations. 37 referrals were received and 26 cases were closed.

- Increased Council Tax revenue of £16,695 has been raised. 1 Civil Penalty and 2 Criminal Penalties totalling £1,656 were issued and an individual was successfully prosecuted for dishonestly failing to declare employment; he was sentenced to 8 months imprisonment suspended for 24 months.

3.13. Work with Cheltenham Borough Homes:

- 208 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.
- 10 referrals have been received relating to housing and tenancy fraud such as abandonment, illegal succession, subletting, false housing applications, right to buy fraud.
- 2 properties have been recovered. The Fraud Advisory Panel, Charity Commission, Tenancy Fraud Forum and others have produced a new method using a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000.

3.14. **Regulation of Investigatory Powers Act 2000 (RIPA) / Investigatory Powers Act 2016**

3.15. 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.

3.16. The Policies were reviewed and presented to the Audit, Compliance and Governance (General Purposes) Committee in January 2020; these were adopted by Cabinet in February 2020.

3.17. As reported in April 2022, the RIPA Surveillance and Covert Human Intelligence Source Policy was updated to reflect the new Covert Human Intelligence Sources (Criminal Conduct) Act 2021 which makes provision for those acting as covert agents to commit crime whilst undertaking their duties does not apply to the Council. There have been no subsequent amendments to date.

- 3.18. The Use of the Internet and Social Media in Investigations and Enforcement Policy, was drafted and presented to Audit, Compliance and Governance (General Purposes) Committee in September 2021 and adopted by Cabinet in November 2021. The roll out of this Policy and associated Procedure across the CFEU Partnership has begun.
- 3.19. 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 Head of Public Protection, Louis Krog.
- 3.20. 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 and Enforcement Unit.
- 3.21. The CFEU delivered refresher training to enforcement staff between November 2022 and January 2023. The Authorising Officers received training in December 2021, following the recent change, an update was provided to Louis Krog in October 2022.
- 3.22. There have been no RIPA applications made by the Council during 2022/2023 and no applications for communications data were submitted. There have been six Non-RIPA applications made during 2022/2023 which relate to overt activity and test purchasing.
- 3.23. 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

4. Alternative options considered

- 4.1. None.

5. Consultation and feedback

- 5.1. Any Policies drafted or revised by the Counter Fraud and Enforcement Unit have been reviewed by One Legal and have been issued to the relevant Senior Officers, Governance Group and Executive Leadership Team for comment.

6. Key risks

- 6.1. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds.
- 6.2. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

Report author:

Emma Cathcart, Head of Service Counter Fraud and Enforcement Unit,
Emma.Cathcart@cotswold.gov.uk

Appendices:

- i. Risk Assessment
- ii. Work Plan 2022/2023

Background information:

N/A.

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
1	The authority suffers material loss and reputational damage due to fraud	Executive Director Finance and Assets	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.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing
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	3	4	12	Reduce	Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing

Area of Work	Task
Bribery and Corruption	Assessment Template Review
Bribery and Corruption	Policy and Procedure: Staff Declarations of Interest / Conflicts of Interest
Bribery and Corruption	Gifts and Hospitality Policy and Procedure Rollout / Awareness
Governance	Delivery of two reports for Audit, Compliance and Governance Committee
Governance	Fighting Fraud & Corruption Locally - Checklist Compliance
Governance	Government Functional Standard 013: Counter Fraud - Compliance
Governance	Development of Fraud Risk Strategy / Response Plan
Governance	Development of Service Specific Fraud Risk Register (High Risk Service Areas TBC)
Policy	Counter Fraud and Anti-Corruption Policy
Policy	Corporate Enforcement Policy
Policy	CTAX, CTRS & HB Penalty and Prosecution Policy
Policy	Proceeds of Crime & Anti-Money Laundering Policy
Policy	Whistle-Blowing Policy
Policy	RIPA (Surveillance & CHIS)
Policy	IPA (Acquisition of Communications Data)
Policy	Use of the Internet and Social Media in Investigations and Enforcement
Procedure	Development and roll out of Proceeds of Crime and Money Laundering Procedure
Procedure	Development and roll out of Use of the Internet and Social Media in Investigations and Enforcement Procedure
Serious and Organised Crime	Checklist Review
Serious and Organised Crime	Proactive SOC Drive -Transient / Cash Businesses

Area of Work	Task
Statutory / Regulatory	Collation and Publication of Fraud Transparency Data
Statutory / Regulatory	RIPA / IPA - Annual Report to Members / Advisory / Inspection SPoC
Strategy : Detection	Housing Waiting List review
Strategy : Detection	National Fraud Initiative Match Reviews - Revenues / Benefits
Strategy : Detection	National Fraud Initiative Match Reviews - Housing
Strategy : Detection	Council Tax £150 Rebate - Assurance and Enforcement Activities
Strategy : Detection	Test and Trace - Assurance and Enforcement Activities
Strategy : Detection	Business Grants - Assurance and Enforcement Activities
Strategy : Detection	NNDR Empty Premises / CTAX LTE Property Visits (as required)
Strategy : Detection	SMI Review (sample 20)
Strategy : Detection	Business Rates Review Self Catering Accommodation - Assurance and Enforcement Activities
Strategy : Detection	Proactive Fraud Drive - Single Person Discount Households
Strategy : Detection	Proactive Enforcement Drive - Unlicensed HMO's
Strategy : Prevention	Development of Fraud Awareness Literature (staff)
Strategy : Prevention	Development of Right to Buy Debt Recovery Process
Strategy : Prevention	Training Members / Staff - Fraud Awareness / RIPA & IPA / CPIA, PACE, Disclosure Training
Strategy : Prevention	Procurement - Supplier Payment Review

RIPA = Regulation of Investigatory Powers Act 2000

IPA = Investigatory Powers Act 2016

CPIA = Criminal Procedure and Investigations Act 1996

PACE = Police and Criminal Evidence Act 1984

Cheltenham Borough Council

Audit, Compliance & Governance – 19 April 2023

Review of Draft Accounting Policies 2022-23

Accountable member:

Councillor Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Gemma Bell, Head of Property, Finance and Asses (Deputy s151 Officer)

Accountable scrutiny committee:

n/a

Ward(s) affected:

All

Key/Significant Decision:

Yes

Executive summary:

To update Members on the Council's draft accounting policies which will be included in the 2022/23 Statement of Accounts, providing Members with the opportunity to review these policies before the unaudited accounts are published on 31 July 2023

Recommendations:

To note the content of the draft accounting policies and make any comments as necessary.

1. Implications

1.1. Financial implications

As detailed throughout this report.

Contact officer: Gemma Bell, gemma.bell@cheltenham.gov.uk , 01242 264 124

1.2. Legal implications

None specific directly arising from the report.

Contact officer: One Legal, legalservices@onelegal.org.uk, 01684 272 012

1.3. HR implications

None directly arising from the report.

Contact officer: Julie McCarthy, julie.mccarthy@publicagroup.uk, 01242 264 355

1.4. Environmental and climate change implications

N/A

1.5. Property/asset implications

N/A

1.6. Corporate policy framework implications

N/A

2. Promoting equality and reducing discrimination

N/A

3. Performance management – monitoring and review

N/A

4. Background

4.1. The Committee is requested to review the Council's accounting policies, as included in the statement of accounts, on an annual basis. The Council's auditors, Grant Thornton have recommended that this review is done prior to the review and sign-off of the Council's final audited statement of accounts. This is to aid the Committee's understanding of the policies

in place and their application in the statement of accounts.

- 4.2. This report therefore includes the draft accounting policies included in the draft statement of accounts. It should be noted that the DLUHC timetable for the publication of unaudited Statement of Accounts has been brought back from 31 July to 31 May for 2022/23. This is subject to consultation and the Committee will be updated if the results of the consultation changes this timetable.
- 4.3. The deadline for publishing final audited accounts is 30 September 2023, brought forward from 30 November. The final accounting policies will be reviewed again by the Committee when the audited accounts are presented for approval. It should be noted that the Council's audited Statement of Account for 2021/22 has still not been published and a paper from Grant Thornton is presented to this Committee on the reasons for this.
- 4.4. This is a national issue, with only 12% of Local Authorities meeting the deadline for a final published Statement of Account for 2021/22 by 30 November 2022. However, this creates an issue for Cheltenham Borough Council as a number of estimates and assumptions in the 2021/22 Statement of Accounts have materially changed since the draft accounts were published.
- 4.5. This means additional preparation and audit work will need to be undertaken to assure the prior year balances within the two month period between publishing the draft and final Statement of Accounts for both 2021/22 and 2022/23. There are also a number of additional costs the Council will need to incur, such as updated actuarial reports for the pension liability and disclosures, as a result of the delays

5. Accounting Policies

- 5.1 The Statement of Accounts are prepared in accordance with proper accounting practices and regulations by following the CIPFA Code of Practice on Local Government Accounting ('The Code'), supported by International Financial Reporting Standards (IFRS's) and International Accounting Standards (IAS's).
- 5.2 The Council's accounting policies outline the relevant accounting principles and methodologies adopted by the Council, in order to meet these statutory requirements. They can be used to aid understanding of the statements as well as providing a comparison to other organisations. Any changes to accounting policies from previous financial years are disclosed as a separate note to the accounts.
- 5.3 The accounting policies have been reviewed in 2022/23 to ensure they are up to date and relevant to the statements, a copy of which is included as Appendix A to this report.

6. Changes to accounting policies in 2022/23

- 6.1 There are no material changes to the accounting policies on 2022/23.
- 6.2 The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified. There is also the requirement for an authority to disclose information relating to the impact of an accounting change that will be required by a new standard

that has been issued but not yet adopted. The following standards and amendments will be introduced in the 2024/25 Code and apply from 1 April 2024:

- IFRS 16 Leases

6.3 IFRS 16 is not anticipated to have a material effect on the financial statements or balances of the Council since the changes mainly affect the recognition of leases by lessees and the authority does not have any finance lease liabilities or material operating leases (as disclosed in note 23 of the Statement of Accounts on the Council as Lessee).

7. Conclusion

7.1 It should be noted that the draft accounting policies may be updated as part of the final audited Statement of Accounts. The Committee will have the opportunity to review the final version as part of the approval of the audited Statement of Accounts in September 2023.

8. Decisions

8.1 It is recommended that the Committee notes the content of the draft accounting policies.

Report author:

Gemma Bell, Head of Property, Finance and Asses (Deputy s151 Officer),
gemma.bell@cheltenham.gov.uk, 01242 264 124

Appendices:

i. Draft Accounting Policies, 2022-23

Background information:

Code of Practice on local Authority Accounting in the UK 2022/23 Accounts

Accounts and Audit Regulations 2015

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The Statement of Accounts summarises the council's transactions for the financial year and its position at the end of the financial year. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Government Accounting in the United Kingdom 2020/21 (The Code) supported by International Financial Reporting Standards (IFRS's), International Accounting Standards (IAS's) and statutory guidance.

The accounting convention adopted by the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting policies of the council have as far as possible been developed to ensure that the accounts are understandable, relevant, free from material error or misstatement, reliable and comparable.

1.2 ACCOUNTING CONCEPTS

Except where specified in the Code, or in specific legislative requirements, it is the council's responsibility to select and regularly review its accounting policies, as appropriate.

These accounts are prepared in accordance with a number of fundamental accounting principles:

- Relevance
- Reliability
- Comparability
- Materiality

Additionally three further concepts play a pervasive role in the selection and application of accounting policies:

Accruals of Income and Expenditure

The financial statements, other than the cash flow statement, are prepared on an accruals basis, i.e. transactions are reflected in the accounts in the year in which the activity to which they relate takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services, in accordance with the performance obligations in the contract and IFRS15 Revenue Contracts with Customers. These are fees and charges such as car parking fees, bereavement services fees, planning applications and building control fees.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- All income and expenditure is credited and charged to the Comprehensive Income and Expenditure Statement, unless it comprises capital receipts or capital expenditure.

Going Concern

The accounts are prepared on the assumption that the council will continue its operations for the foreseeable future. This means in particular that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to significantly curtail the scale of operations.

Primacy of legislative requirements

The council derives its powers from statute and its financial and accounting framework is closely controlled by primary and secondary legislation. Where legislative requirements and accounting principles conflict, legislative requirements take precedence.

1.3 EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as salaries and wages, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the accounting year in which they were accrued. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the council can no longer withdraw the offer of any benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the general fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. Therefore in the Movement in Reserves Statement appropriations are required to and from the pensions reserve to remove the notional charges and credits for pension enhancement termination benefits, and replace them with the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the council are members of the Local Government Pension Scheme, administered by Gloucestershire County Council. The scheme provides defined benefits to members (retirement

lump sums and pensions), earned as employees worked for the council, and is accounted for as a defined benefits scheme:

- The liabilities of the Gloucestershire pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on the adoption of the AA-rated corporate bond basis.
- The assets of the Gloucestershire pension fund attributable to the council are included in the balance sheet at their fair value on the following basis:
 - quoted securities – current bid value
 - unquoted securities – professional estimate of fair value
 - unitised securities – current bid price
 - property – market value.
- The change in the net pension liability is analysed into seven components:
 - Current service cost: the increase in liabilities as a result of the additional year of service earned - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost: the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - charged to the Surplus or Deficit in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Interest cost on defined obligation: the expected increase in the present value of liabilities during the year as they move one year closer to being paid - charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Interest income on plan assets: the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - Gains/losses on settlements: the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees – charged to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - Measurement of the net defined benefit liability: changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
 - Contributions paid to the Gloucestershire pension fund: cash paid as employer's contributions to the pension fund, in settlement of liabilities.

Statutory provisions limit the amount chargeable to council tax to that payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove the notional charges and credits for retirement benefits and replace them with the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award, and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.4 GRANTS AND CONTRIBUTIONS

Grants and contributions received from the government and other organisations are credited to the Comprehensive Income and Expenditure Statement unless any conditions attached to the grant or contribution have not been satisfied. For example conditions may be stipulated that specify that the grants or contributions are required to be consumed by the recipient as specified, or they must be returned to the transferor.

Amounts received as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as Revenue or Capital Grants Received in Advance. When the conditions are satisfied, the grant or contribution is credited to the relevant service line (if ring-fenced) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement, so that they are available to fund capital expenditure. Where the grant has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied reserve. Where it has been applied it is credited to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.5 OVERHEADS AND SUPPORT SERVICES

The authority operates and manages its overheads (including telephones and printing costs) and corporate and support services separately and expenditure relating to these activities is reported to key decision makers as separate activities. These overheads are not therefore apportioned to services within the general fund. Overhead charges between the General fund and Housing Revenue services, however, continue to apply.

1.6 COUNCIL TAX RECOGNITION

Council Tax receivable for the financial year is recognised in the Collection Fund, a separate statutory account maintained by billing authorities. The Fund is charged with the council tax requirements ('precepts and demands') set by the major preceptors and billing authority before the start of the year, leaving (after providing for uncollectable debts) a surplus or deficit, which is then distributed to the same authorities in future years in proportion to their precepts or demands.

The council tax income included in the council's Comprehensive Income and Expenditure Statement for the year represents its 'demand' for the year, plus its share of the collection fund surplus or deficit for the year, before any distribution. Because the amount of surplus or deficit that can be credited or charged to the council's general fund is governed by statute, and is limited to that declared at the start of the year, adjustments are made in the Movement in Reserves Statement to the collection

fund adjustment account to reflect the difference between the surplus or deficit due for the year and that which can be released according to statute.

There is no statutory requirement for a separate collection fund balance sheet. Instead the fund balances (arrears, over/pre-payments, bad debts provision and accumulated surpluses or deficits) are distributed across the balance sheets of the billing authority and the major preceptors, in proportion to their precepts and demands. The council, as a billing authority, therefore accounts for council tax balances on an agency basis, showing only its share of the fund balances on its balance sheet.

1.7 NATIONAL NON-DOMESTIC RATES (NNDR) INCOME RECOGNITION

NNDR income is recognised in the same way as council tax described above, with the exception that the net income and surplus/deficit credited or charged to the Comprehensive Income and Expenditure Statement is shared between the billing authority, the county council and central government in statutory proportions. NNDR balances are also distributed across their balance sheets in the same proportions.

1.8 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

1.9 NON-CURRENT ASSETS - RECOGNITION OF CAPITAL EXPENDITURE

The council recognises non-current assets when expenditure is incurred on assets:

- held for use in the production or supply of goods or services, rental to others, or for administrative purposes
- expected to be used for more than one financial period
- where it is expected that the future economic benefits associated with the asset will flow to the council
- where the cost can be measured reliably.

The initial cost of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner required by management.
- Any costs of dismantling and removing an existing asset and restoring the site on which it is located.

The cost of an asset acquired other than by purchase or construction is deemed to be its fair value, except where an asset is acquired via an exchange it is deemed to be the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value. The difference between their fair values and any consideration paid is credited to the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Reserve account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Subsequent ‘enhancement’ expenditure is treated as capital expenditure when it is considered it will increase the value of the asset or its useful life or increase the extent to which the council can use the asset.

De Minimis policy - expenditure below £10,000 (excluding VAT) is not treated as capital expenditure except where the sum of identical assets purchased exceeds this figure, as is the case with waste collection bins and caddies.

Capital assets are held on the Balance Sheet as Non-Current Assets.

1.10 NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (PPE)

Assets that have physical substance and are held for use in the provision of services, for rental to others, or for administrative or other operational purposes on a continuing basis are classified as Property, Plant and Equipment. Such assets are categorised as Council Dwellings, Other Land and Buildings, Vehicles Plant and Equipment, Infrastructure, Community Assets, Surplus Assets and Assets Under Construction.

Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset and there is no prospect for sale or alternative use. Examples include footpaths, cycle tracks, bridges, street furniture and drainage systems.

Community Assets are assets that the authority intends to hold in perpetuity, have no determinable useful lives and which may have restrictions on their disposal. Examples include parks, gardens, cemeteries land, allotments and open spaces used for recreation.

Surplus Assets are assets which are not being used to deliver services or for administrative purposes but which do not meet the definition of Investment properties or Assets Held for Sale.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the council for more than one financial year and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance, which is charged directly to service revenue accounts when it is incurred.

Measurement

PPE assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The council does not capitalise borrowing costs incurred whilst assets are under construction.

The assets are then carried on the Balance Sheet using the following measurement bases:

- Dwellings – Current value, using the basis of existing use value for social housing (EUUV-SH)

- Other Land and Buildings – Current value, using the basis of existing use value (EUV) where an active market exists or Depreciated Replacement Cost (DRC), where there is no active market for the asset or it is specialised
- Infrastructure – depreciated historic cost
- Community assets – historic cost (where known). The cost of many of the council's parks, gardens and open spaces is not known and they are therefore shown at Nil value. The Code offers the option for authorities to measure community assets at valuation, which is the requirement for Heritage assets. The council has so far not adopted to change its accounting policy in this way as it does not currently have the management information to make reasonable valuation estimates of community assets.
- Assets under construction – historic cost
- Surplus Assets – Current value, using the Fair Value basis (see paragraph 1.19 Fair Value Measurement).
- In the case of assets that have short useful lives or low values (or both) i.e. Vehicles, Plant and Equipment, depreciated historic cost is used as a proxy for current value.

Assets included in the Balance Sheet at Current value are re-valued where there have been material changes during the year, and as a minimum every five years.

Where there is an upward revaluation, the carrying value is increased and the gain credited to the Revaluation Reserve. This is reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain, included in Other Comprehensive Income and Expenditure. Exceptionally, gains are credited to the Surplus or Deficit on the Provision of Services (and not the Revaluation Reserve) where a revaluation loss or impairment in respect of that asset was previously charged to a service revenue account (adjusted for the depreciation that would have been charged had the revaluation or impairment losses not occurred).

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

PPE assets are assessed at the end of each year for evidence of impairment. Where evidence exists and the effect is considered material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the difference.

Where there are revaluation gains for the asset in the Revaluation Reserve the impairment loss is written down against that balance (up to the amount of the accumulated gains).

Where there are no gains in the Revaluation Reserve or an insufficient balance to meet the impairment loss, the remaining loss is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite useful life, by writing down the carrying value of the asset in the Balance Sheet over the remaining periods expected to benefit from their use. Assets not depreciated are those without a determinable finite useful life (land and Community and Heritage assets), assets that are not yet available for use (assets under construction) and assets reclassified as Held for Sale.

Depreciation is calculated on the following bases:

- Council dwellings – straight-line allocation over each significant component's estimated useful life
- Other buildings, Vehicles, Plant, Furniture and Equipment, Infrastructure, Surplus assets – straight-line allocation over the asset's estimated useful life.

Newly acquired assets are depreciated from the year following that in which they were acquired, although assets in the course of construction are not depreciated until they are brought into use.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged and the depreciation that would have been charged based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets disposed of during the year are depreciated in the year of disposal or in the case of assets reclassified as Held for Sale, in the year they were reclassified.

Componentisation

Where a *material* item of Property Plant and Equipment has components whose cost is *significant* in relation to the total cost of that item, *and* which have different estimated useful lives and/or depreciation methods, they are identified as separate assets and depreciated separately.

The council's current Componentisation Policy for non-dwelling assets defines a material item as an individual building exceeding a gross book value of £1,421k and a significant individual component as one which exceeds 20% of the gross replacement cost of that building. Significant components are identified as separate assets and separately depreciated if their estimated useful lives are considered significantly different to the 'host' building or other components. 'Material' buildings are considered for componentisation whenever such a building is acquired, enhanced, or revalued after 1 April 2010.

With effect from 1st April 2017 separate building components (including the 'host' or residual building) have been identified for dwellings where their current replacement cost and useful lives can be estimated reliably.

1.11 NON-CURRENT ASSETS - HERITAGE ASSETS

Assets with historical, artistic, scientific or technological qualities held principally for their contribution to knowledge or culture.

The council's collections of heritage assets are accounted for as follows:

Ceramics, Art, Regalia and Silverware, Furniture, Textiles, Ephemera, other collectables

These are reported in the Balance Sheet at their current insurance valuation, which is based on market values.

Statues and Monuments

These are reported in the Balance Sheet at their current insurance valuation, which is based on historic or replacement cost.

Archaeology

The council cannot obtain reliable cost or valuation information for its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the council does not recognise these assets on its balance sheet.

The insurance valuations are updated for inflation on an annual basis, with gains credited to the Revaluation Reserve. The council has deemed that all the heritage assets have indeterminate lives, hence it does not consider it appropriate to charge depreciation.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. Any impairment is recognised and measured in accordance with the council's policy on impairment for Property, Plant and Equipment. Occasionally the council will dispose of heritage assets. These are accounted for in accordance with the council's policy on disposals and assets held for sale.

1.12 NON-CURRENT ASSETS - INVESTMENT PROPERTY

Investment properties are those that are used *solely* to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value (see paragraph 1.19 *Fair Value Measurement*). Properties are not depreciated but are revalued annually unless their carrying value can be demonstrated to be not materially different to fair value at the balance sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Such gains and losses, however, are not permitted by statutory arrangements to have an impact on the General Fund Balance and are therefore reversed out in the Movement in Reserves Statement and credited to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

1.13 NON-CURRENT ASSETS - INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance and which are controlled by the entity through custody or legal rights (e.g. software licences), is capitalised when it will bring benefits to the council for more than one financial year. Internally generated assets are capitalised where it can be demonstrated that the project is technically feasible, is intended to be completed (with adequate resources being available), where the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset, and where the expenditure during the development phase can be reliably measured.

Intangible assets are measured at cost, which is amortised over the estimated useful life of the asset to the relevant service line in the Comprehensive Income and Expenditure Statement, to reflect the pattern of consumption of benefits. Estimated remaining useful lives are reviewed annually and an asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are charged to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or cessation of use of an intangible asset is credited or charged to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance, so they are reversed out of the General Fund Balance in the Movement in Reserves Statement and charged or credited to the Capital Adjustment Account with any sale proceeds greater than £10,000 credited to the Capital Receipts Reserve.

1.14 NON-CURRENT ASSETS – DISPOSALS AND ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Assets are classified as held for sale where the asset is available for immediate sale in its present condition and where the sale is highly probable i.e. the asset has been advertised for sale and a buyer sought and the completion of the sale is expected within twelve months of the balance sheet date. Dwellings sold under Right to Buy are deemed to become surplus on the day that the transfer to the tenant takes place (completion of the sale), and are therefore considered operational until they are sold.

Except when carried at (depreciated) historic cost, an asset is revalued immediately before its reclassification as Held for Sale, using its existing category's measurement basis. Following reclassification assets are measured at the lower of their carrying values and fair values less costs to sell. Any subsequent gains in value are first used to reverse any losses previously charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement and thereafter recognised in the Revaluation Reserve. Losses in value are charged to the Surplus or Deficit on the Provision of Services (even when there is a balance held for that asset in the Revaluation Reserve).

Depreciation is not charged on Assets Held for Sale, except in the year in which they were classified as held for sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified as non-current assets (Property, Plant and Equipment, Investment or Heritage assets) and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of, or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment, Heritage or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are written off to the Capital Adjustment Account.

Amounts received from a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to Housing Revenue Account (HRA) disposals, as specified by statutory regulations, is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the Capital Financing

Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement of Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Such amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.15 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets is charged to the relevant service revenue account in the year. To the extent the council has determined to meet the cost of this expenditure from capital resources (borrowing, capital receipts or grants) a transfer to the Capital Adjustment Account via the Movement in Reserves Statement reverses out the amounts charged to the General Fund Balance so there is no impact on the level of council tax.

1.16 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding assets during the year:

- Depreciation of property, plant and equipment used by the relevant service
- Amortisation of intangible assets used by the service
- Revaluation and impairment losses, where there are no accumulated gains in the Revaluation Reserve against which the losses can be charged.

The council cannot raise council tax to cover depreciation, amortisation or revaluation and impairment losses. It is, however, required to make an annual provision (known as Minimum Revenue Provision or MRP) from revenue towards reducing its overall borrowing requirement, equal to an amount calculated on a prudent basis by the council in accordance with statutory guidance. The above charges to the General Fund are therefore reversed out of the General Fund Balance and replaced by a MRP contribution to the Capital Adjustment Account in the Movement of Reserves Statement.

1.17 LEASES

Leases are classified as either Finance Leases or Operating Leases. Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Defining a Finance Lease

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. This is likely to apply if some or all of the following situations are met:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. in the case of hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset, even if title is not transferred. The economic life of the asset is deemed to be consistent with the useful life of the asset in the depreciation policy. The council recognises the major part to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease. If this rate cannot be determined the incremental borrowing rate applicable for that year is used. The council recognises “substantially all” to mean 90% of the value of the asset. In some circumstances, a level of 75% is used if the council believes that using this level will give a result that better reflects the underlying transaction
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications
- If the lessee cancels the lease, the lessor’s losses associated with the cancellation are borne by the lessee
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease)
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Lessee Accounting for a finance lease

Where the council is leasing an asset (for example as a tenant) that is deemed a finance lease, it will recognise that asset within its asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the asset, or if lower, the present value of the minimum lease payments. A liability (less any premium paid) may also be recognised at this value, which is reduced as lease payments are made. Lease payments made to the lessor are split between the reduction in the liability and interest, which is charged to the Comprehensive Income and Expenditure Statement.

Lessor Accounting for a finance lease

Where the council grants a finance lease over property or items of plant or equipment the carrying values of the relevant assets are written out of the Balance Sheet to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on

disposal. The amount receivable on disposal (representing the minimum lease payments due), is credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal, matched by a cash receipt (if a premium has been paid) or a long term debtor (if to be settled by payments in future years) on the Balance Sheet.

The amount receivable on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due under the lease is settled by payments in future years the amount receivable on disposal is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve. When received future lease payments are apportioned between:

- a charge for the acquisition of the assets, which reduces the lease debtor
- finance interest, which is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

An amount equivalent to the charge for the acquisition of the assets is at the same time transferred from the Deferred Capital Receipts Reserve to the Capital Receipts Reserve.

Defining an Operating Lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards arising from ownership of the asset.

Lessor Accounting for an operating lease

Where the council grants an operating lease over property or items of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the relevant service income line or, if the asset is classified as an Investment Property, to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Lessee Accounting for operating leases

Rentals paid under operating leases are charged to the service using the asset in the Comprehensive Income and Expenditure Statement.

1.18 FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the Balance Sheet when the authority becomes party to the contractual provisions of the instrument. In the case of a financial asset this is when the authority becomes committed to its purchase, except in the case of trade receivables, which are recognised when the goods or services have been supplied. Financial liabilities are recognised when the cash or goods or services have been received.

Financial Liabilities

Financial liabilities are initially measured at fair value and then carried at amortised cost. Where interest is payable this is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. Transaction costs are charged to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement, unless deemed material, in which case they are added to the initial cost.

Normally this means, for the council's borrowings, the amount recognised in the Balance Sheet represents the outstanding principal repayable plus any accrued interest, and interest charged to

the Comprehensive Income and Expenditure Statement is the amount payable for the year stated in the loan agreement. For current payables with no stated interest rate the amount recognised is the outstanding invoiced amount.

Gains and losses on the early settlement of borrowing are credited or charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of settlement. However, where settlement has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan and its write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over a number of years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, subject to the maximum or minimum number of years specified in the regulations. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Under IFRS 9 the authority's financial assets are classified into three types:

- Financial assets at amortised cost – where payments consist solely of principal and interest and the reason for holding is to collect cash flows
- Fair value through Other Comprehensive Income (OCI) – where payments do not consist solely of principal and interest but where the authority has designated the instrument as Fair value through OCI
- Fair value through Profit and Loss (P&L) - where payments do not consist solely of principal and interest.

Financial assets at amortised cost

These are initially measured at fair value and carried at amortised cost. Where interest is receivable this is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Normally this means, for the council's loans and investments, the amount recognised in the Balance Sheet is the outstanding principal receivable plus any accrued interest, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year stated in the loan agreement.

Interest attributable to the Housing Revenue Account (HRA) is calculated based on the level of its usable reserves held throughout the year and the weighted average (consolidated) rate of interest earned by the council, in accordance with statutory provisions.

Deposits, bonds and loans are assessed on recognition for impairment due to the likelihood that payments due under the contract will not be made and, if material, a provision for twelve month expected credit losses set aside from the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the risk of default increases significantly after initial recognition and for trade and lease receivables a provision is set aside based on expected lifetime credit losses, if deemed significant or material.

For current receivables with no stated interest rate the amount recognised is the outstanding invoiced amount, less any allowance for impairment (provision for bad or doubtful debts).

Any gains and losses that arise on the disposal or de-recognition of the asset are credited or charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair value through OCI

These are initially measured at cost (equivalent to fair value) and carried at fair value. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values.

Interest receivable is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends from equity instruments designated by the authority as Fair value through OCI are credited to the same line when they become receivable by the council.

Changes in fair value are balanced by an entry to the Financial Instruments Revaluation Reserve (FIRR) (formerly the Available-for-Sale Reserve), with the gain or loss being recognised in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Any gains or losses held in the FIRR on de-recognition of the asset are credited or charged to the General Fund Balance via the Movement in Reserves Statement.

Fair value through P&L

These are initially measured at cost and carried at fair value. For instruments quoted in an active market, fair values are based on their market prices at the reporting date, except where the instruments will mature within twelve months of that date, in which case they are assumed not materially different to (and therefore equal to) their carrying values.

Dividends are credited to the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) when they become receivable by the council. Changes in fair value and any gains or losses on de-recognition are charged or credited to the same line in the CIES and, in the case of pooled investment funds reversed to the Pooled Investment Funds Adjustment Account via the Movement in Reserves Statement (MIRS). Sale proceeds on de-recognition are credited to usable capital receipts via the MIRS.

1.19 FAIR VALUE MEASUREMENT

The authority measures certain non-financial assets (Surplus Assets, Investment Property and Assets Held for Sale) and its Fair value through OCI and Fair value through P&L financial assets at fair value at the balance sheet date, unless there is no material difference between carrying value and fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. In the case of a non-financial asset, the authority takes into account the market participants' ability to use the asset in its 'highest and best use' or by selling it to another market participant that would use the asset in its 'highest and best use'.

Inputs to the valuation techniques used in measuring fair value are categorised within the fair value hierarchy as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - directly or indirectly observable inputs other than quoted prices
- Level 3 - unobservable inputs for the asset or liability.

1.20 INVENTORIES

Inventories held in stores are included in the Balance Sheet at the latest price paid. This is a departure from the requirements of the Code, which require inventories to be shown at the lower of cost and net realisable value. The effect of the different treatment is not considered material.

1.21 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

1.22 PROVISIONS

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing or amount of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the council becomes aware of the event, based on its best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

1.23 CONTINGENT LIABILITIES

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but, where material, disclosed in a note to the accounts.

1.24 RESERVES

The council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to form part of the Surplus or Deficit in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure in that year.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits, and they do not represent usable resources for the council – these reserves are known as unusable reserves.

1.25 CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council.

Contingent assets are not recognised in the Balance Sheet but, where material, disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.26 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the council's financial position or financial performance. Where a change made has a material effect, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.27 EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that arose after the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the

events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.28 ESTIMATION TECHNIQUES

Estimation techniques are the methods adopted to assess the values of assets, liabilities, gains and losses and changes in reserves in situations where there is uncertainty as to their precise value. Unless specified in the Code or in legislative requirements, the method of estimation will generally be the one that most closely reflects the economic reality of the transaction.

1.29 JOINTLY CONTROLLED OPERATIONS

Jointly controlled operations are activities undertaken by the council, together with other organisations, involving the shared use of the assets and resources of the organisations, rather than the establishment of a separate entity. The council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and charges or credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Such operations, not being separate entities, are accounted for in the council only accounts and are not separate entities for Group Account purposes.

1.30 INTERESTS IN COMPANIES AND OTHER ENTITIES – GROUP ACCOUNTS

The council has material interests in companies that have the nature of being subsidiaries and joint ventures and require it to prepare Group Accounts. In the council's own single-entity accounts the interests in companies and other entities are recorded as financial assets at cost (if any), less any provision for losses.

Basis of Consolidation

The group accounts bring together the council's own accounts with those of Gloucestershire Airport Limited (GAL), in which the council has a 50% shareholding, and Cheltenham Borough Homes Limited (CBH), a company limited by guarantee in which the council is the sole member. The accounts of CBH include those of Cheltenham Borough Homes Services Limited (CBHSL), a wholly owned subsidiary of Cheltenham Borough Homes Limited.

GAL has been treated as a Joint Venture since it is jointly owned and controlled with Gloucester City Council. GAL has therefore been consolidated with the council's accounts on an equity accounting basis, in which the council's share of the company's operating results and net assets or liabilities (based on its proportionate shareholding) are shown as separate lines in the main group statements. There is no requirement to adjust for inter-organisation transactions and balances.

CBH has been treated as a Subsidiary (since it is wholly controlled by the council), so its accounts have been consolidated in the main group statements on a line-by-line basis, eliminating inter-organisation transactions and balances.

At 31 March 2021 the council also had a 14.29% shareholding in Ubico Limited, a local authority owned company which has seven members, providing environmental services to the shareholder councils. Since the council does not have control or significant influence over the company, its accounts are not consolidated into the group accounts, however full disclosure notes are provided.

The council also has an interest in Publica Group (Support) Limited, a Joint Venture company limited by guarantee, in which the council is one of four members. The council's share of the

company's profit for the year and net assets at the balance sheet date have not been consolidated into the Group Accounts on the basis of immateriality.

The council also has an interest in the South West Audit Partnership Limited (SWAP), a company limited by guarantee. As the council does not have any controlling or significant influence in the company it is classed as an investment, and is not included in the Group Accounts.

Accounting Policies

The financial statements in the group accounts are prepared in accordance with the policies set out above, with the following additions and exceptions:

Cheltenham Borough Homes Limited (CBH)

The financial statements for CBH have been prepared under the historical cost convention in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing providers.

Consequently dwellings owned by CBH are initially valued at historic cost. For the purposes of the group accounts they have been re-valued at Current value to bring them into line with the council's accounting policies, using the existing use value for social housing (EUV-SH) appropriate to the dwellings' tenure as affordable homes. Any revaluation gains or losses are treated as described in paragraph 1.10 (Measurement).

In the company accounts capital grants are written off to the Income and Expenditure account over the estimated life of the asset in line with depreciation. However in the group accounts such grants are treated in accordance with paragraph 1.4, whereby they are credited to the Income and Expenditure account when any conditions attaching to the grant are met.

Gloucestershire Airport Limited

The financial statements of the Airport have been prepared under the historic cost convention (except for certain items that are shown at fair value) in accordance with Financial Reporting Standard 102 (FRS102).

Since Investment Property and Property, Plant and Equipment (PPE) assets held by the airport have been valued at fair value no adjustments are required to the value of non-current assets on consolidation with the council's accounts. Unlike in the airport accounts, however, where any gains in value over historic cost are credited to the Profit & Loss Account, such gains are credited in the group accounts to the Revaluation Reserve (for PPE assets) and the Capital Adjustment Account via the Group Income and Expenditure Statement (for Investment Property), in line with the council's accounting policies.

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ANNUAL ITEMS (standing items to be added to the work plan each year)	
July	
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
Risk Register	Ann Wolstencroft
Audit committee update (h/o from March)	Grant Thornton
Annual Auditors report (for previous year) (h/o from March)	Grant Thornton
Annual Governance Statement (h/o from April)	Ann Wolstencroft Gareth Edmundson
Annual review of Code of Corporate Governance (if CIPFA guidance has changed)	Claire Hughes
September	
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
Risk Register	Ann Wolstencroft
January	
IT Security update (exempt)	John Chorlton/ Tony Oladejo
Cyber Security Business Continuity Arrangements (inc. review of databases and data sources) (exempt) ?	Mike Redman
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
Risk Register	Ann Wolstencroft
April	
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)	Monitoring Officer
Annual Governance Statement	Ann Wolstencroft Gareth Edmundson
Annual Review of Risk Management Policy	Ann Wolstencroft
Annual Review of Draft Accounting Policies	Gemma Bell

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