

Cheltenham Borough Council Audit, Compliance and Governance Committee

Meeting date: 26 September 2023

Meeting time: 6.00 pm

Meeting venue: Council Chamber - Municipal Offices

Membership:

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

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Phone: 01242 264 129

Agenda

1 Apologies

2 Declarations of interest

3 Minutes of the last meeting (Pages 3 - 8)

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 Corporate Risk Register (Pages 9 - 22)

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

6 Audit Findings Report 2021-22 (Pages 23 - 68)

Report of Grant Thornton (external auditors)

7 Internal Audit Monitoring Report (Pages 69 - 94)

Report of Lucy Cater, South West Audit Partnership (SWAP)

8 Counter Fraud and Enforcement Unit Update (Pages 95 - 104)

Report of Emma Cathcart, Counter Fraud and Enforcement Unit

9 Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy (Pages 105 - 118)

Report of Emma Cathcart, Counter Fraud and Enforcement Unit

10 Statement of Accounts 2022-23 (including letter of representation) (Pages 119 - 126)

Report of Gemma Bell, Head of Finance

(Appendix 1 to follow)

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

29 November 2023



Cheltenham Borough Council Audit, Compliance and Governance Committee Minutes

Meeting date: 12 July 2023

Meeting time: 6.00-6.50pm

In attendance:

Councillors:

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

Also in attendance:

Jaina Mistry (Principal Auditor), Paul Jones (Executive Director of Finance, Assets and Regeneration), Beth Cordingley and Adam Morley (Senior Auditor)

1 Election of Chair

The outgoing Chair, Councillor McCloskey, took the chair for the election of Councillor Bamford as the new Chair.

Proposer: Councillor Payne

Seconder: Councillor Willingham

Councillor Bamford was voted in unanimously, and took the chair for the remainder of the meeting. He thanked Councillor McCloskey for doing an excellent job as Chair over the last few years.

2 Apologies

Apologies were received from Councillor Beale.

3 Declarations of interest

There were none on this occasion.

4 Minutes of the last meeting

The draft minutes of the meeting held on 19 April 2023 were approved as a true record and signed accordingly.

5 Public and Member Questions

There were none.

6 Internal audit opinion 2022-23

The Principal Auditor (SWAP) said the report provides an annual audit opinion for 2022-23. She highlighted that this year's assurance is low-reasonable, down from low-substantial last year, primarily due to five Priority 1 recommendations issued this year. There have been no limited assurance opinions in any of the areas audited.

In response to Members' questions, the Principal Auditor and Executive Director for Finance, Assets and Regeneration confirmed the following :

- the recommendation around procurement cards mostly concerns policy and making sure this is updated; a lot of work has already been done;
- regarding taxi licences, the team is waiting on some clarification before it can close the actions. These were expected at the end of June and are being actively followed up;
- as an authority, we would always aim for a substantial assurance, as was achieved last year. As explained, the main driver for this year's low-reasonable opinion is one report discussed in exempt session last week, and the key action is to pick up some of those Priority 1 recommendations surround programme and project management.

A Member said that the Licensing team should be commended on having asked for an internal audit of its processes to ensure taxi drivers are fit and proper, following a number of allegations made against drivers. He understood that no issues had been identified and welcomed the recommendations, adding that this sent a message to other parts of the council to take the same open approach and ask internal audit to look at any areas of concern within their service.

Officers went on to provide the following responses to Member questions:

- regarding the in-depth examination of that report and whether other processes are examined to the same extent, scoping is always worked out with the service manager, based on the main risks in the area. The audit team cannot go into complete depth in every audit, but risk is the first consideration, based on the service managers' knowledge of their area;
- Members should be reminded of the cyclical nature of audit committee - which agrees the audit plan for the next 12 months and at the last meeting discussed making this more flexible – and be encouraged to raise any areas of concern

with the committee, SWAP or the Executive Director for Finance, Assets and Regeneration;

- SWAP is an asset to the council, here to assist management with controls to ensure correct processes and protocols are in place;
- the number of Priority 2s and 3s is set out on the first page of the report, and is down on 2021-22, with no other limited assurance opinions;
- SWAP has procedures and dates in place to actively follow up on the Priority 1 opinion;
- the corporate governance group (Chief Executive, Monitoring Officer, and S151 Officer), together with SWAP and CFEU attendees and Head of Performance, Projects and Risk keep a close eye on all audit opinions, and are aware that the five Priority 1 opinions are predominantly about internal governance. Members should have received some assurance that action and progress on the majority of these has already started;
- the Priority 1s are monitored quarterly by the internal governance group, and can be brought to Overview and Scrutiny or Audit, Compliance and Governance Committee at any time. The Chairs of both committees are present, and may like to collaborate with regard to a time for a progress update to be prepared.

A Member noted that the performance of Publica was reported as medium-reasonable, but getting this information for Overview and Scrutiny is always difficult. He asked if the report related to the information Publica shares on performance or operation information. The Principal Auditor believed it was operational, but said she would confirm.

The Chair noted that no vote was needed, but that the Committee had considered and noted the contents of the report.

7 Information Requests Annual Report 2022-23

The Customer Relations and Information Officer presented her report, which detailed information requests under Freedom of Information and Environmental Information Regulations. There were 546 requests in the last year, of which 90% were completed within the 20-day deadline, in line with the ICO target.

A Member congratulated the team on a very good performance, with better figures than last year in spite of what could be some very obscure requests. Other Members reiterated this, acknowledging how essential FOI requests are in the openness and transparency of local government.

In response to Member questions, the Customer Relations and Information Officer said that:

- where there are common or repeated FOI request subjects, officers aim to publish as much as possible, though this will not necessarily change the figures, as the request is still recorded as being directed to publicly available information.

It is hoped, however, that by publishing the information, there will be fewer requests, as people may go to the website first;

- regarding more complex requests, and whether the £450 limit is applied rigorously, officers about to provide information will be able to tell straight away if there is any chance of coming anywhere near that limit. Certain aspects of responding to requests are included in the limit, but officers will always look at limiting the information provided if necessary to ensure they will not go over the top.

A Member said this year's figures are positive, but it would be good to see three years' worth of figures next year, to see the long-term trend. It was obvious that the targets fluctuated but he wondered who set the targets and thought they should be at least 85%. The Customer Relations and Information Officer said the target will be set at 90% next year, and she can definitely provide more figures in her next report. She agreed that targets fluctuated, but pointed out that there was no real control on the number of requests coming in. The Member said it was good to note that procedures are working.

No vote was required on this item.

8 Annual Governance Statement and review of Code of Corporate Governance

In the absence of the Monitoring Officer, the Executive Director for Finance, Assets and Regeneration introduced the report, explaining that the council has a statutory duty to prepare an Annual Governance Statement as part of the Statement of Accounts, and should seek to assess itself against its Local Code of Corporate Governance in preparing the Annual Governance Statement.

One Member was particularly pleased to see that project and programme management featured prominently in the statement. He said that the council moving into a much more project-orientated environment, and hard lessons of the last few months has demonstrated that project and programme management are absolutely key; anything which enhances that structure is to be supported.

One Member was very impressed with the Local Code of Corporate Governance document, which was like a user manual, explaining in a clear way exactly how the council works. He recommended it to all councillors. He noted from the chart at the back of the report that Treasury Management Panel appears to have no role in governance and wondered if it, together with Budget Scrutiny Working Group and Asset Management Working Group, should appear somewhere.

The Executive Director for Finance, Assets and Regeneration referred this to the Monitoring Officer for a formal answer, but suggested the rationale was likely to be that these are working groups which feed into cabinet. He thought a footnote to recognise those groups and explain their role in governance would be helpful.

With no further comments, the Chair moved to the vote where Members unanimously

RESOLVED TO:

- **approve the draft 2022/23 Annual Governance Statement and the 2023/24 Local Code of Corporate Governance.**

9 Work Programme

The Chair invited any comments on the Work Programme from those present.

A Member noted that when he became Chair of Audit, Compliance and Governance Committee, he understood that part of his role was to sign off accounts, but had not done so. He asked for an explanation of the different sets of accounts still to be signed off, and at what stage they all are in the process.

The Executive Director for Finance, Assets and Regeneration said that the local government audit issue is a national problem, with over 500 outstanding audit opinions from 2021-22 in England alone. CBC's external auditors, Grant Thornton, are not present tonight as their priority March-June is the NHS, but they will be at the next meeting to complete the 2021-22 statement of accounts. The fact that this work has been more or less complete for 12 months makes the backlog even worse, as the valuations of buildings, pension funds and so on are now out of date and will have to be done again.

He said that government advisory boards are looking at ways of simplification to address the backlog, so everyone can get on with 2023-24, adding that the delays weren't helpful as CBC's new auditors and Grant Thornton will overlap. Grant Thornton's commitment is to complete the 2021-22 audit in July to present for formal ratification at the September meeting, and then complete the 2022-23 audit by January 2024. From a CBC perspective, Members will be aware that the government delayed publication of draft accounts by a couple of months during Covid, but with no-one available to carry out the audits due to the backlog, there seems little point. He put on record that the in-house finance team delivered its draft accounts by 31 May 2023.

The Chair said that Grant Thornton had implied previously that there were not likely to be any substantial changes regarding the financial impact.

No vote was required for this item.

10 Any other item the Chair determines to be urgent and requires a decision

The Chair did not have any urgent business on this occasion.

11 Date of next meeting

The next meeting is scheduled for 26 September 2023.

Cheltenham Borough Council

Audit, Compliance and Governance Committee – 26 September 2023

Corporate Risk Register

Accountable member:

Rowena Hay, Leader

Accountable officer:

Gareth Edmundson, Chief Executive

Ward(s) affected:

N/A

Key Decision: No

Executive summary:

This report provides a copy of the Council's Corporate Risk Register detailing strategic risks.

- The Corporate Risk Register summarises the Council's corporate risk profile as at the end of August 2023.
- The register has been prepared in consultation with Risk Managers and the Senior Leadership Team.
- Future reports will detail risk movements since the last formal report enabling Members to track CBC risk profile.

Recommendations:

The Audit, Compliance & Governance Committee note the Corporate Risk Register.

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 processes 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 Council has a Risk Management Policy, reviewed in April 2023, that 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 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.
- 2.4 This is the first corporate risk report provided to Audit, Compliance and Governance Committee detailing strategic council risks. Future reports to the committee will report strategic risks along with a narrative outlining any changes to risks and scores since the last formal report. This will allow the committee to track movements in our risk profile.
- 2.5 The risk register will cover:
- The risk narrative.
 - Risk Manager.
 - Current risk score (impact & probability).
 - Details of any controls in place to mitigate the risk.
 - The risk action.
 - The risk review date.
- 2.6 It is important to note that key projects / programmes will each have an individual risk register containing many risks. To keep track of these from a corporate perspective we have for each of these projects and programmes only one risk on the corporate risk register. For example, the Golden Valley development has a full risk register presented to Programme Board but one risk on the corporate risk register. The score of the risk on the corporate register will always reflect the highest score from the GV risk register. This enables us to monitor the highest risks we have across the organisation.
- 2.7 Whilst the register in appendix 1 contains a full list of our corporate risks following our peer review feedback and considering the priorities in our corporate plan for this report I have highlighted our top 5 risks. These relate to our corporate plan priorities around financial sustainability, becoming cyber capital of UK (MX), environmentally sustainable management of waste and recycling (carbon neutral), cost of living (financial sustainability), leisure and culture (Cheltenham as a place and resident wellbeing). The top five risks are:
- Medium Term Financial Strategy - If CBC is unable to come up with long term solutions which

- bridge the gap in the medium term financial strategy, then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision. In respect of this risk we have a number of actions in place to mitigate including our commercial strategy, close monitoring of budgets and reviews with service managers, engagement with cabinet on budgets and savings and specified targets for some services.
- Minster Innovation Exchange - If the developer, Workshop Cheltenham, are unable to deliver the building within the current agreed budget then CBC may not achieve the required return on its investment. In respect of this risk we have in place RPA Quantity surveyors supporting our in house construction team to act as an intelligent client monitoring the quality and progress of the construction.
- Cost of Living Crisis - If the cost of living crisis continues with energy, interest & other costs driving up inflation then it will impact on the councils financial stability & our ability to deliver services & major developments as well as having a negative impact on our customers & staff. In respect of this risk we are working with partners to ensure they are supporting people who are struggling.
- Waste & Recycling - If we have inadequate waste/recycling infrastructure/funding in place for the future then it may impact on the services we can provide to our residents. In respect of this risk we are investigating a number of options with regards to our infrastructure to ensure we can put in place something that will meet future needs.
- Leisure & Culture Venues - If the council does not have a long term vision & investment plan in place for its leisure & culture venues then significant unplanned maintenance, repairs & investment may be required to keep the venues running & it may undermine the ability of the Trust (or any future provider) to run leisure & culture services in a profitable way. In respect of this risk we have undertaken an options appraisal around leisure and culture and are considering the results and we have commissioned a sports strategy to ensure any future options consider our sporting infrastructure.

3 Reasons for recommendations

3.1 Report to note only.

4 Alternative options considered

4.1 None

5 Consultation and feedback

5.1 Risk Managers and Leadership Team.

6 Key risks

6.1 None.

Report author:

Ann Wolstencroft, Head of Performance, Projects & Risks

Appendices:

i. Risk Register

Background information:

N/A

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Cheltenham Borough Council - Risk Register - 31 August 2023

Risk Details	Risk Manager	Current Assessment	Control Details	Risk Action	Review Date
Medium Term Financial Strategy - If CBC is unable to come up with long term solutions which bridge the gap in the medium term financial strategy, then it will find it increasingly difficult to prepare budgets year on year without making unplanned cuts in service provision.	Gemma Bell	Impact - 5 Probability - 4 Score - 20	Commercial strategy & activities Ongoing reviews Cabinet engagement - budget proposals Targets for workstreams/services	Reduce	31/12/2023
Minster Innovation Exchange - If the developer, Workshop Cheltenham, are unable to deliver the building within the current agreed budget then CBC may not achieve the required return on its investment.	Gareth Edmundson	Impact - 5 Probability - 4 Score - 20	Review & ongoing support from RPA Appointment of internal construction expertise Restructure of project roles Close scrutiny of full project risk register by exec & members	Reduce	30/09/2023
If we have inadequate waste/recycling infrastructure/funding in place for the future then it may impact on the services we can provide to our residents.	Karen Watson	Impact - 4 Probability - 5 Score - 20	Mitigate EA issues & resourcing	Reduce	04/09/2023
Cost of Living Crisis - If the cost of living crisis continues with energy, interest & other costs driving up inflation then it will impact on the councils financial stability & our ability to deliver services & major developments as well as having a negative impact on our customers & staff.	Gareth Edmundson	Impact - 4 Probability - 5 Score - 20	Ensure sign posting in place for support. Availability of community grants for funding.	Reduce	03/09/2023
Leisure & Culture Venues - If the council does not have a long term vision & investment plan in place for its leisure & culture venues then significant unplanned maintenance, repairs & investment may be required to keep the venues running & it may undermine the ability of the Trust (or any future provider) to run leisure & culture services in a profitable way.	Richard Gibson	Impact - 4 Probability - 5 Score - 20	Phase 2 sports strategy Options appraisal of leisure venues	Reduce	30/09/2023

Cheltenham Borough Council - Risk Register - 31 August 2023

Golden Valley Development - If the development does not achieve the anticipated investment return to CBC then the project objectives will not be met. (The anticipated investment return to CBC is set out in the Financial Model & draft Business Case in the Development Agreement.)	Paul Minnis	Impact - 4 Probability - 4 Score - 16	Ongoing gate reviews at key decision points Appointment of internal construction expertise Close scrutiny of full project risk register by exec & members	Reduce	30/09/2023
Impact of lack of 5 Year housing l& supply - If, based upon current evidence Cheltenham does not have a 5 year housing land supply then an action plan needs to be put in place to address this.	John Spurling	Impact - 4 Probability - 4 Score - 16	Prepare a Housing Delivery Action Plan	Reduce	01/06/2023
Ubico Service Disruption - If union members agree to strike following a ballot, then waste & recycling services may be seriously disrupted & some cancelled causing reputational damage & expensive catch up arrangements.	Karen Watson	Impact - 4 Probability - 4 Score - 16	Contingency planning to reduce operational & financial impact	Reduce	10/07/2023
Cheltenham Trust - If the Trust is unable to deliver on its five year business plan & run leisure & culture services in a profitable way (within context of cost of living crisis) then the council may incur financial costs to ensure the organisation remains solvent.	Richard Gibson	Impact - 4 Probability - 4 Score - 16	Indendent Financial Review Regular governance meetings Contract management Manage the collection Monitoring the impact of the reopening of the Wilson Leisure @ Options appraisal	Reduce	31/1)23
High Street Defects - If the defects to the High Street are not resolved by external copanies then CBC may have to rectify at their own cost.	Claire Hughes	Impact - 4 Probability - 4 Score - 16	Civil Procedure Rules P35 Report QC Opinion High Street Defect Action plan Cost Plan	Reduce	30/09/2023

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Cheltenham, Gloucester & Tewkesbury Strategic & Local Plan - If there is a failure to gain political consensus across the partners to reach key milestones & failure to adequately resource work then this would impact on reaching milestones which would lead to delay, costs, lack of delivering statutory part of development plan & potential special measures.	John Spurling	Impact - 4 Probability - 4 Score - 16	Joint Advisory Group JSP Task Group Planning & Liaison Member Working Group JSP Programme Management	Reduce	04/09/2023
Carbon Neutral - If we fail to make Cheltenham carbon neutral by 2030 then we will not achieve our corporate objectives.	Gareth Edmundson	Impact - 4 Probability - 4 Score - 16	Employ a climate emergency programme officer Climate change funding Climate change county level co-ordination Create net zero partnerships Secure adequate tools & resources to enable the delivery of the	Reduce	31/11/2023
Cyber Security - If CBC have a cyber security breach then this could impact the Council's ability to deliver services leading to resident hardship, financial loss & reputational damage.	Ann Wolstencroft	Impact - 4 Probability - 4 Score - 16	Cyber security controls (Publica ICT) Cyber Attack - business continuity planning Cyber Training for staff & members	Reduce	31/10/2023
Budget Deficit Reserve - If the Budget Deficit (Support) Reserve is not suitably resourced, insufficient reserves will be available to cover anticipated future deficits, resulting in the use of General Balances, which will consequently fall below the minimum required level as recommended by the Section 151 Officer in the Council's Medium Term Financial Strategy.	Paul Jones	Impact - 5 Probability - 3 Score - 15	Ongoing Reviews Strengthen Reserves	Reduce	31/10/2023
Gloucestershire Airport - If the income from the airport does not cover the cost of borrowing then Cheltenham Borough Council may be in a detrimental financial position.	Paul Jones	Impact - 5 Probability - 3 Score - 15	Ongoing financial monitoring & contract management.	Reduce	31/08/2023

Cheltenham Borough Council - Risk Register - 31 August 2023

Energy Costs (Gas & Electric) - If energy costs keep rising / fluctuating as per the current market then it impacts on our ability to accurately budget/forecast expenditure & may impact on our the investments we can make in projects / programmes whilst still being able to achieve our MTFS.	Gemma Bell	Impact - 5 Probability - 3 Score - 15	Provide awareness training for staff to highlight their role at an individual level Ensure responsibilities for energy management are clearly defined and allocated within each operational asset Reduce operational energy demand through investment in renewables and improved insulation, together with heating and lighting controls with external gatekeeping processes	Reduce	30/09/2023
Financial impact of Environment Act 2021 - If the new act results in less valuable recycling materials then there will be a negative impact on income.	Karen Watson	Impact - 5 Probability - 3 Score - 15	Increase public participation in waste reduction Maximise recycling offtake income & reduce collection/disposal Activity to reduce risk	Reduce	04/09/2023
Difficulties in recruitment - If we are unable to recruit effective candidates for our vacant roles then we may be unable to deliver corporate plan ambitions & effective operational services leading to increased costs & reputational damage.	Ann Wolstencroft	Impact - 3 Probability - 4 Score - 12	Ensure wide exposure social media etc Grow your Own - Apprentices & Graduates Review of applicant response rates by channel	Reduce	31/11/2023
Afghan Resettlement - If hotel accommodation across the UK for Afghan households is closed then this could lead to households becoming homeless across the UK.	Martin Stacy	Impact - 3 Probability - 4 Score - 12	Examine Local Authority Housing Fund Round 2 potential funding	Reduce	30/09/2023
Asylum Seekers - If accommodation is sourced for asylum seekers without intelligence being shared from relevant services, then the community cohesion of the area may be adversely affected.	Martin Stacy	Impact - 4 Probability - 3 Score - 12	Protocol arrangements with partners Cheltenham & county-wide focused partnerships	Reduce	30/09/2023
Homes for Ukraine Scheme - If the relationships between Ukrainian guests & sponsors break down &/or accommodation arrangements are not continued then this may lead to a greater need for temporary accommodation, homelessness therefore increasing costs to the council.	Martin Stacy	Impact - 3 Probability - 4 Score - 12	Rematching with new sponsors Local Authority Housing Fund Collaborative arrangements with CBH G'shire CC	Reduce	30/09/2023

Cheltenham Borough Council - Risk Register - 31 August 2023

Business Rates Retention - If income streams from the introduction of the business rates retention scheme in April 2013 are impacted by the loss of major business & the constrained ability to grow the business rates in the town then the MTFS budget gap may increase.	Gemma Bell	Impact - 4 Probability - 3 Score - 12	Part of Gloucestershire Pool Ongoing monitoring of performance Work with LEP	Reduce	30/06/2024
Ability to resource/manage multiple concurrent incidents - If we have multiple concurrent incidents we may not be able to resource them all & this will impact effectiveness of response & impact business continuity.	Gareth Edmundson	Impact - 4 Probability - 3 Score - 12	LRF Tactical Comm& Group Meetings Emergency Planning LRF Strategic Comm& Cabinet Engagement - Budget proposals P&emic risk controls	Reduce	30/09/2023
Poor risk management - If the council does not have a robust & effective approach to risk management then then it may result in financial losses, failure to achieve corporate priorities, litigation & reputational damage.	Ann Wolstencroft	Impact - 3 Probability - 3 Score - 9	Updated Risk Management Policy Risk Management Training Leadership Team Risk Discussions Directorate Risk Discussions Risk Maturity Audit Risk Reporting to Audit committee	Reduce	31/11/2023
Leisure & culture services - If the council does not begin to plan the long term provision of leisure & culture services then it will be unclear about the scope of reprourement of services beginning in 2027.	Richard Gibson	Impact - 3 Probability - 3 Score - 9	Long term commissioning strategy Agree extension to TCT contract (up to 5 years)	Reduce	30/06/2023
Failure to make the Council Carbon Neutral by 2030 - If we fail to make the Council carbon neutral by 2030 then we will not achieve our corporate objectives.	Gareth Edmundson	Impact - 3 Probability - 3 Score - 9	Employ a climate emergency programme officer Climate Change Funding Climate Change County Level Co-ordination Climate Change Investment Strategy Climate Emergency Action Establish a Climate Emergency Programme Board Secure adequate tools & resources to enable the delivery of the	Reduce	31/11/2023
Rough Sleeping Accommodation - If there is insufficient emergency accommodation for households to access in times of emergency (e.g. extreme cold weather) or overnight emergency, then there could be injury to the household.	Martin Stacy	Impact - 3 Probability - 3 Score - 9	Improving pathways Additional emergency accommodation provision	Reduce	31/10/2023

Cheltenham Borough Council - Risk Register - 31 August 2023

Marketing Cheltenham - If Marketing Cheltenham do not generate the right level of commercial income then it may not achieve the financial targets outlined in the business case.	Tara Sanchez	Impact - 3 Probability - 3 Score - 9	Review Marketing Cheltenham membership package Review SLAs Quarterly full budget review	Reduce	31/10/2023
Climate SPD has Limited application/utilisation - If the measures set out in the SPD are not used in planning decisions then it will have no impact on the contribution which development makes towards climate change.	Tracey Birkinshaw	Impact - 3 Probability - 3 Score - 9	Embed SPD into planning team processes	Reduce	31/10/2023
Climate: Failure to support nature & biodiversity - If we fail to deliver projects to support nature, then there will be a potentially irreversible impact on local biodiversity due to climate change, with implications for the well being of our communities.	Gareth Edmundson	Impact - 3 Probability - 3 Score - 9	Continue to support volunteer activity promoting biodiversity Review CBC contribution to achieving objectives within the Ensure effective implementation of planning requirements in Review the potential for using CBC land to support nature and attract BNG/SANG funding where this is the most cost-effective long term option	Reduce	31/11/2023
Rough Sleeping Initiative Funding - If DHLUC reduce/end RSI funding (£1m/year county-wide), with the expectation that services will be baselined into council budgets from April 2025 onwards then existing Rough Sleeping prevention services will either cease, or CBC will have to build funding into our own budgets in order for services to continue.	Martin Stacy	Impact - 3 Probability - 3 Score - 9	Use of Homelessness Prevention Grant Lobby Government on potential impact of reduced funding	Reduce	22/12/2023
GARAS support services for asylum seekers & refugees - If there is a change in leadership or staffing at GARAS, then the organisation may be less effective in supporting the needs of asylum seekers and refugees.	Martin Stacy	Impact - 2 Probability - 4 Score - 8	Regular contract monitoring & info sharing by the county	Reduce	29/09/2023
Compliance with Property Legislation & Regulations - If we are not compliant with relevant legislation / regulations in all operational CBC properties then this may result in accidents resulting in reputational damage, fines and potential corporate manslaughter charges.	Gemma Bell	Impact - 4 Probability - 2 Score - 8	Recruitment of Compliance Officer External Advisors Review of registers & risk assessments	Reduce	31/12/2023

Cheltenham Borough Council - Risk Register - 31 August 2023

<p>Risk of requirement to return ERDF grant funding - If MHCLG's value for money assessment deems CBC not to have delivered within acceptable boundaries and / or outputs do not fulfill original funding contract, then there is the risk that CBC will need to return funds to MHCLG.</p>	<p>Sophie Barton</p>	<p>Impact - 3 Probability - 2 Score - 6</p>	<p>Narrative to MHCLG Ensure existing projects must be delivered Ensure timely defrayal of all outstanding invoices Liaise with One Legal re contractual agreement Reduce the risk by submitting Project Change Request 3</p>	<p>Reduce</p>	<p>30/09/2023</p>
<p>Rough Sleeping - If county-wide commissioning arrangements are incohesive, then funding opportunities may be lost and/or services may end/not be commissioned.</p>	<p>Martin Stacy</p>	<p>Impact - 3 Probability - 2 Score - 6</p>	<p>Programme Management Group Member Training of Neighbourhood Panel</p>	<p>Reduce</p>	<p>22/12/2023</p>

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The Audit Findings for Cheltenham Borough Council

Year ended 31 March 2022

Cheltenham Borough Council
September 2023



Contents



Your key Grant Thornton team members are:

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The Key Audit Partners for the Council's material subsidiaries are:

Nathan Coughlin - Bishop Fleming

Julian Gaskell - Hazelwoods LLP

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

Name : Alex Walling
For Grant Thornton UK LLP
Date : 18 September 2023

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole 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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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cheltenham Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:

- give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work to date was largely undertaken remotely during August and September 2022 with a further work taking place between December 2022 and September 2023. Our findings are summarised on pages 5 to 26. A small number of adjustments to the financial statements have been identified as a result of our audit work that has resulted in a £2,513k adjustment to the Council's Comprehensive Income and Expenditure Statement. The most significant of which relates to updated pension liability figures resulting from the triennial review.

Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware of at this time that would require modification of our audit or further material changes to the financial statements, subject to the following outstanding matters:

- receipt of the IAS 19 assurance letter in respect of the triennial review from the pension fund auditor;
- receipt of revised pension figures for Cheltenham Borough Homes Ltd;
- updated valuation figures for Gloucestershire Airport Ltd land and buildings assets;
- final agreement of figures in the movement in reserves statement;
- updated valuations note for property, plant and equipment;
- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified, subject to completion of our outstanding work.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay has previously been issued to the Audit, Compliance and Governance Committee. We expect to issue our Auditor's Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. We plan on issuing a combined report covering 2021/22 and 2022/23 later in the 2023 year.

As part of our planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified no risks at that stage.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

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

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our combined Auditor's Annual Report (covering 2021/22 and 2022/23) later in the year.

Significant Matters

The draft accounts submitted for audit were incomplete as the accounts for Gloucestershire Airport Ltd had not been included within the group accounts. A revised set was not received until after our initial final accounts visit was concluded. The accounts for the subsidiary companies are prepared using a different accounting framework which allows property plant and equipment to be carried at depreciated cost rather than valuation. It was noted early in the audit that the assets of Gloucestershire Airport Ltd are carried at deemed cost as at 31 March 2015. In order to align the reporting with that of the Council a valuation would be required. This valuation has yet to be received.

Further delays also occurred due to the timeliness of responses from the valuer of the Council's housing stock. The Council engages three valuation experts resulting in significant additional work being required in this area.

Working papers to support entries in the accounts were in a number of areas insufficient to support a timely audit process.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

We have not had to alter our audit plan, as communicated to you on 21 April 2022.

Conclusion

Our audit of your financial statements is substantially complete and, subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit, Compliance and Governance Committee meeting on 26 September 2023

These outstanding items are summarised on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

During the course of the audit both your finance team and our audit team faced challenges again this year. In particular delays in the Council receiving the accounts for Gloucestershire Airport Limited delayed the Council being able to produce group accounts, which were completed as soon as they became available. This was after the time resourced to the audit had expired resulting in issues in allocating suitable audit resources

Conflicting demands on the Council's finance team including the preparation of the 2023/24 budget in light of the cost of living pressures and preparation of the 2022/23 closedown and accounts to the shorter deadline of 31 May resulted in delays in responses to audit queries and errors identified in working papers increased the time required to complete the audit.

A number of other issues took time to resolve, including the treatment of infrastructure assets, which required revised guidance from CIPFA, issued in January 2023, with updated accounts received in July 2023, when further audit resource became available.

Finance officers have worked hard to resolve queries once audit work recommenced in July.

The Council engages three valuation firms to value its assets. Delays were experienced in receiving evidence and explanations from one firm.

The triennial review of the pension fund undertaken in April/May 2023 also identified that the assumptions used to calculate the net defined benefit liability required updating to reflect the most up to date information. The audit work to support the triennial valuation was completed in September 2023.

2. Financial Statements



Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan 21 April 2022. We detail in the table our determination of materiality for Cheltenham Borough Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,505,000	1,483,000	This was set at 2% of your gross expenditure for the prior year.
Performance materiality	1,128,750	1,112,250	This is 75% of headline materiality.
Trivial matters	75,300	75,300	This is 5% of headline materiality.



2. Financial Statements - Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We have:

- evaluated the design effectiveness of management override of controls over journals;
- analysed the journals listing and determine the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our testing identified 17 journals that had a blank description; these were selected for testing as this is a weakness in a key control. The results of the testing can be broken down into four reasons as to why the journals had blank descriptions:

- 12 cases were as a result of a system upload error, specifically in relation to the Child Voucher Scheme, where the template uploaded had not carried over to the ledger correctly;
- four journals which related to rounding errors that has been corrected by Unit 4 Business World. The system will automatically allocate any differences to account code E9997 which is the error suspense. Values were for £0.01 in all four cases; and
- one journal which was a coding correction journal.

Our testing also identified that there is no requirement for journals to be authorised. This increases the risk of errors or fraudulent transactions being posted which may not be identified through budgetary controls.

We have gained sufficient assurance over these items in our detailed testing.

Our audit work has not identified any further issues in respect of management override of controls. Our review of estimates is documented on pages 16 to 22.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Council and Group

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

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

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

We have not altered our view of this rebuttal since planning.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

Council and Group

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£141 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings as a significant risk.

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

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- Instructed our auditor's expert to review the terms of engagement, valuation methodology and approach and resulting assumptions;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; and
- reviewed the valuations in line with market trends, and challenged any valuations that were not in line with our expectations;

The Council undertook an extensive revaluation exercise in 2020/21 with only a small number of assets revalued during 2021/22. This creates a risk that the carrying value of assets, recorded in the financial statements is materially different from the current value, particularly as asset prices, including building indices, used in the valuations have been increasing. We asked the Council to provide a quantified assessment of this movement. This indicates that movements since the last valuation date are below materiality.

The Council owns 50% of Gloucestershire Airport Ltd with Gloucester City Council. The Council includes its share of the company's net assets in its group accounts. The Company prepares its accounts under FRS 102 and holds its property assets at deemed cost as at 31 March 2015. Under IFRS these are required to be valued at Existing Use Value. As the last valuation was in 2015, we requested that management demonstrate that the carrying value of these assets were not materially different from the current value.

See 'key judgments and estimates' from page 16 for further details on the findings of this significant risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Council Dwellings

Council

The Council undertakes a full valuation every five years with a desk top valuation in the intervening years.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of council dwellings as a significant risk.

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

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

We have no matters to report.

See 'key judgments and estimates' from page 18 for further details on the findings of this significant risk.

Valuation of Investment Property

Council and Group

The Council has investment properties on its balance sheet of £66 million. These are valued at fair value at 31 March 2022. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions

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

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuations were carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- instructed our auditors expert to review the terms of engagement, valuation methodology and approach and resulting assumptions;
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register; and
- we reviewed the valuations in line with market trends, and challenged any valuations that were not in line with our expectations.

See 'key judgments and estimates' from page 17 for further details on the findings of this significant risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

Council and Group

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£43 million in the Council's balance sheet. The group accounts include the pension liability of Cheltenham Borough Homes Ltd of £10 million) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

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

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

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

See 'key judgments and estimates' from page 19 for further details on the findings of this significant risk.

We have not to date, identified any issues that would suggest that the of the valuation of the pension fund net liability is materially misstated.

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Cheltenham Borough Homes Ltd	Bishop Fleming	There are no matters to report	No impact
Gloucestershire Airport Ltd	Hazelwoods	The Council owns 50% of Gloucestershire Airport Ltd with Gloucester City Council. The Council includes its share of the company's net assets in its group accounts. The Company prepares its accounts under FRS 102 and holds its property assets at deemed cost as at 31 March 2015. Under IFRS these are required to be valued at Existing Use Value. As the last valuation was in 2015, we requested that management demonstrate that the carrying value of these assets were not materially different from the current value.	On receipt of the valuation we will assess whether there is any impact on the investment in the joint venture in the group accounts.

2. Financial Statements – new issues and risks

Issue	Commentary	Auditor view
<p>Minimum Revenue Provision (MRP)</p> <ul style="list-style-type: none"> The Council uses borrowing, both long and short term, to fund its acquisition of non-current assets, including operational land, property, plant and equipment and investment properties. As at 31 March 2022 the total levels of borrowings for the Council stood at £176.1m, which was an increase on the prior year borrowings of £2m from £174.1m. The £176.1m of borrowings includes £67.7m of HRA debt, MRP is not required to be charged on this debt. To reflect that the benefit of these assets will be realised over a number of years, the cost associated with the funding of these asset purchases is also spread over a number of years and this is known as the Minimum Revenue Provision (MRP). To ensure that the level of MRP attributed to each financial year is appropriate, the Ministry of Housing, Communities and Local Government (MHCLG) has produced guidance, which was most recently updated and issued in 2018. Given the unprecedented challenges presented by the Covid-19 pandemic, the Executive Director Finance and Assets (s151 Officer) published a Covid-19 recovery revised budget 2020-21 which was presented and approved at Council on 16 November 2020. This proposed a temporary change to the way that the MRP was to be funded in the year, with the plan to repeat this in 2021-22 and potentially 2022-23, by utilising capital receipts to offset the amount charged to revenue within the financial year. The Council took comfort that this approach was appropriate as it had been adopted by other Councils in both the current and previous years, with no additional clarity or statutory guidance being provided by MHCLG to determine whether this treatment is allowable For the financial year 2021/22, the Council approved on 23 March 2021 the budget to set aside MRP of £0.43m, which included £180k of voluntary overpayment 	<ul style="list-style-type: none"> The permitted use of capital receipts is set out in Regulation 23 of the Local Authorities Capital Finance and Accounting Regulations. This prescribes a limited number of ways that capital receipts can be utilised, one of which is ‘to repay the principal of any amount borrowed’. If capital receipts are used to repay borrowing this will reduce the total amount outstanding and therefore the level of MRP that will need to be charged. However, in our view, capital receipts cannot be used to directly offset the amount of MRP charged to revenue. Therefore, we have determined that the policy approved by Council, in the current environment with a challenging financial outlook, has the impact of not being sufficiently prudent. There is increasing scrutiny on the level of MRP charged as a result of a number of high-profile cases where insufficient amounts have been charged by Councils. In light of our comments above in respect of the revised MRP policy, we have considered whether the amount of MRP charged to revenue in the 2021-22 of £579k by the Council is ‘prudent’ after the capital receipts element is excluded. The broad aim of ‘prudent’ provision is to require local authorities to put aside revenue over time to cover their CFR. In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits. Guidance presents four options for calculating prudent provision. Local authorities can use a mix of these options for debt taken out at different times. The year end MRP charge is £758k to revenue which is an increase of £352k from 2020/21. The Council also made a one off repayment of debt of £1.8m using capital receipts in 2021/22. The approach of charging MRP to capital receipts was also reviewed and a different approach has been taken. In addition, the MRP policy has been reviewed and a new approach approved by Council following the comments made in the 2020/21 audit. We also note that the Council continued to make the voluntary overpayments of £179k, meaning that the total value of overpayments to date is £1.241m. 	<ul style="list-style-type: none"> In addition to considering the amount of MRP charged, we have also taken into account a number of other factors, including the Council’s track record for making prudent MRP charges in previous years, the fact that the Council has made voluntary overpayments in MRP in previous years, the overall health of the Council’s finances, including the level of the General Fund, earmarked and other usable reserves and its overall debt position and performance in respect of debt management. Taking these wider factors into account, we have gained sufficient assurance that the Council has sound financial management processes in place and that it is not taking actions that would otherwise indicate that its doesn’t operate in a prudent way.

2. Financial Statements – Other risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary
<p>Valuation of Infrastructure Assets</p> <p>CIPFA has reported that Infrastructure assets were first recognised in conventional local authority balance sheets when the Code aligned reporting on assets more closely with other UK GAAP, moving from older capital accounting systems based on financing requirements. This was on 1 April 1994 for English local authorities. At that time, infrastructure assets were brought on to the balance sheet at undischarged capital amounts and this was described as historical cost and generally aggregated under simplified headings – roads, bridges etc.</p> <p>For many local authorities, further information deficits have arisen as systems have not been detailed enough to allocate costs and identified replacement at the granular level to ensure that infrastructure asset values can be conformed to be materially correct. For many local authorities, further information deficits have arisen on transfer of balances of infrastructure assets as a result of local government reorganisation where information has not been available to disaggregate the carrying value.</p> <p>The revised CIPFA Code of Practice on Local Authority Accounting now states that Infrastructure assets shall be measured at depreciated historical cost. Historical cost is deemed to be the carrying amount of an asset as at 1 April 2007 (i.e. brought forward from 31 March 2007) or at the date of acquisition, whichever date is the later, and adjusted for subsequent depreciation or impairment.</p> <p>During the audit, and following concerns raised by regulators at other councils, we identified a risk that the carrying value of infrastructure assets is not appropriate given the nature of how the assets are held on the balance sheet and monitored through the asset register.</p>	<p>The inherent risks, which we identified in relation to infrastructure assets were informed by the sector level work in this area by CIPFA, and included:</p> <ul style="list-style-type: none"> • 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 impairment 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. <p>As a firm we have been working with CIPFA and the English Government 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 short-term solutions are being put in place in the interim. These short-term solutions included the issuing of a Statutory Instrument (SI) by government.</p> <p>The English SI was laid before Parliament on 30 November 2022 and came into force on 25 December 2022. CIPFA issued an update to the Code for infrastructure assets in November 2022 and has issued further guidance in January 2023 in relation to useful economic lives (UELs).</p> <p>The following page sets out our detailed work on the Council’s revised infrastructure disclosures following the release of the SI and we are now comfortable with the revised disclosures and their compliance with the national guidance.</p>

Headlines

2. Financial Statements – Other risks

Valuation of Infrastructure Assets (continued)

Following the issuing of the Statutory Instrument we have we have completed the following work focusing on the Council's current year's infrastructure assets:

- reviewed and challenged the arrangements that the Council has in place around impairment of infrastructure assets
- evaluated management's processes and assumptions for the calculation of the estimate including review of in-year depreciation and associated UELs
- challenged the information and assumptions used to inform the estimate

Based on our work, we are satisfied that the Council has:

- correctly applied the SI and the requirements in the CIPFA Code update
- appropriately removed the gross book value and accumulated depreciation from its disclosures adding a new disclosure setting out opening net book value and any in-year movements
- not identified any prior period adjustments requiring disclosure in the accounts.

We have reviewed the changes to the infrastructure disclosures in the revised financial statements and are satisfied that these now comply with the requirements. We have, however, identified two issues that we need to bring to the attention of the those charged with governance:

1) Impairment

Firstly our work in respect of the risk of the Council overstating the net book value of its infrastructure as a result of failure to identify and account for impairment of infrastructure assets. This work identified that the Council has arrangements in place to identify any impairments required.

Recommendation 1

Whilst the Council has arrangements in place to monitor the condition of infrastructure assets., we recommend that as part of year-end procedures, when the Balance Sheet carrying values of the assets are reviewed for impairment, the Council formalises arrangements to ensure that the reviews are undertaken by appropriate officers to support the impairment review process

2) Depreciation charges

Secondly our work in respect of the risk of over or understatement of net book value of assets as a result of the use of inappropriate Useful Economic Life (UEL) in calculating depreciation charges for 2021/22.

The Council has adopted a component approach to determining asset lives for its infrastructure assets. These are recorded according to type with lives assigned that are consistent with sector standards and the average UEL ranges provided in the CIPFA Bulletin 12. Our review of infrastructure assets at the Council identified that the Housing Revenue Account holds infrastructure assets with a net book value of £5.1 million were not suitably described within the fixed asset register and a number of general fund infrastructure assets descriptions did not fully identify the nature of the asset held.

Recommendation 2

We recommend that management reviews both general fund and HRA infrastructure assets to ensure that these assets are fully understood.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Land and Building valuations – £141m</p> <p>Surplus assets - £45m</p>	<p>Other land and buildings comprises £77m of specialised assets such as sports pavilions and public conveniences, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£64m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Vickery Holman to complete the valuation of properties as at 31 March 2022 on a five yearly cyclical basis. 1.8% of total assets were revalued during 2021/22.</p> <p>Management have considered the year end value of non-valued properties. Management have used relevant indices to determine whether there as been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value. We are currently in the process of reviewing whether this has resulted in a significant increase or decrease in values, which may result in further valuations being required.</p> <p>The total year end valuation of land and buildings was £141m, a net increase of £2.9m from 2020/21 (£138m).</p>	<p>We considered the competence, qualifications and independence of management's valuation expert as well as their relevant terms of reference and valuation report. We did not identify any issues.</p> <p>For all assets we identified which were inside and outside of our expectation using Gerald Eve indices to determine a point estimate. This enabled us to assess the reasonableness of increase in the estimate.</p> <p>On a sample basis, we analysed the method, data and assumptions used by management to derive the accounting estimate.</p> <p>We then considered in more detail, management bias in determining the estimate and evaluated evidence that contradicts management's assessment. Considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of accounting estimates.</p> <p>We are satisfied with the adequacy of disclosure of estimate in the financial statements.</p>	<p>Light purple</p>

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £66.415m	<p>The Council has engaged Vickery Holman to complete the valuation of properties as at 31 March 2022. All investment property was revalued at that date.</p> <p>The total year end valuation of investment property was £66m, a net decrease of £280,000 from 2020/21.</p>	<p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We assessed management's experts used and found them to be capable, competent and objective.</p> <p>We are challenging the appropriateness of the underlying information used to determine the estimate and ensuring that there is consistency of assumptions against industry data.</p> <p>Where movements are significant, we are reviewing the increase/decrease in estimates for reasonableness.</p>	Light purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £251m	The Council owns 4,540 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Avison Young to complete the valuation of these properties. The year end valuation of Council Housing was £250.9m, a net increase of £19m from 2020/21 (£231.8m).	<p>We considered the competence, experience and independence of managements expert as well as the relevant terms of engagement and the valuers report. No issues were identified.</p> <p>We confirmed that the information used by the valuer was complete and accurate and the desktop approach was appropriate.</p> <p>We confirmed that the valuation approach was consistent with the prior year and was in accordance with the guidance on stock valuation for resource accounting.</p> <p>We challenged the indices used in the valuation process and corroborated a sample of properties to market data.</p> <p>We confirmed that adequate disclosures were included within the financial statements.</p> <p>We are following up a small number of points with the Council's valuer. A formula error was identified within the valuation spreadsheet, which resulted in the value of council dwellings being understated by £736. Management have not adjusted for this error on the grounds of materiality.</p> <p>We are satisfied at this point that the estimate included by management is not materially misstated and is free from bias.</p>	Grey

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £43m	<p>The Council's [total] net pension liability at 31 March 2022 is £43m (PY £53.7m) comprising the Gloucestershire County Council Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £13m net actuarial gain during 2021/22.</p>	<ul style="list-style-type: none"> We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective. We have performed additional tests in relation to accuracy of contribution figures, benefits paid, the reasonableness of the Council's share of the funds assets and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise. We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.7%</td> <td>2.7-2.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.15-3.3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.5%</td> <td>0.5-2.5% above CPI</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Pensioners: 21.7 Non-pensioners: 22.6</td> <td>Pensioners: 20.1 - 22.7 Non-pensioners: 21.4 - 24.3</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Pensioners: 24.1 Non-pensioners: 25.8</td> <td>Pensioners: 22.9 - 24.9 Non-pensioners: 24.8 - 26.7</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.7-2.75%	●	Pension increase rate	3.2%	3.15-3.3%	●	Salary growth	3.5%	0.5-2.5% above CPI	●	Life expectancy – Males currently aged 45 / 65	Pensioners: 21.7 Non-pensioners: 22.6	Pensioners: 20.1 - 22.7 Non-pensioners: 21.4 - 24.3	●	Life expectancy – Females currently aged 45 / 65	Pensioners: 24.1 Non-pensioners: 25.8	Pensioners: 22.9 - 24.9 Non-pensioners: 24.8 - 26.7	●	Grey
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Assessment		<p>We have also:</p> <ul style="list-style-type: none"> undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report. <p>Our work has noted that one assumption used in the calculation of the valuation of pension fund net liability is not in-line with the auditor's expert. The auditors expert expected the assumption for the salary increase is CPI + 0.5%pa however the actuary has used CPI + 0.3%pa in their calculations. We have determined that this has not produced a material misstatement in the financial statements.</p>																									

Assessment

● **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Audit Comments - continued

Assessment

Net pension liability – £43m

The pension fund auditor communicated that the actuary used a projected investment return of 6.9% in their IAS19 estimate of pension assets. The actual investment return for the pension fund's assets for 2021/22 was 7.46%. The impact of this is approx. £701,306.

The pension fund's triennial review was carried out at 31 March 2022. To reflect the changes arising from this, management has requested that it's expert, Hymans Robertson undertake an updated actuarial review. This was received and management has included the relevant adjustments in the revised accounts. This has increased the net defined benefit liability at 31 March 2023 by £2 million.

The actuary has updated the salary assumption in their revised IAS19 report by 0.2%. This is not consistent with PwC's (as our auditor's expert) expectation that financial assumptions remain the same. This updated salary assumption has resulted in an increase in the liability of approximately £438k. We reported this as an unadjusted misstatement on page 40.

The auditor of Gloucestershire Pension Fund has undertaken testing of membership data as part of the triennial review process, we are currently awaiting the results of this testing.

Grey

Assessment

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £40.5m	<p>For several grants, the Council is acting as an agent and does not recognise grant income. The balance of grants unpaid is shown as a creditor in the statement of financial position.</p> <p>There are also grants where the Council is acting as the principal and credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement.</p> <p>The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.</p>	<p>We have:</p> <ul style="list-style-type: none"> assessed whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant as revenue in the year under review reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income assessed the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. <p>We identified that the Covid-19 loss of income grant had been credited to services. This grant compensates authorities for irrecoverable and unavoidable losses from sales, fees and charges income in the financial year. Authorities are to absorb losses of up to 5% of planned sales, fees and charges income and then compensated for the eligible 'net losses' at 75% thereafter. As the grant is not ring fenced, then we would expect income to be reported as taxation and non-specific grant income in the CIES. We challenged management on the treatment and they detailed that as they are able to attribute the loss of income to a specific service then they deem it appropriate to credit the grant to services.</p> <p>We recommended that management include a critical judgement in their accounts as the grant was material in 2020/21.</p> <p>We also identified that note 16 was understated by £1.6 million. The Council made the appropriate amendment.</p> <p>We are satisfied with the treatment taken by the Council in relation to the recognition and presentation of grant income.</p>	Light purple

Assessment

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Minimum Revenue Provision - £758,000</p>	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The Council continued to make the voluntary overpayments of £179k (£171k in the prior year), meaning that the total value of overpayments to date is £1.241m.</p> <p>The year end MRP charge was £758k, a net decrease of £1.51m from 2020/21.</p> <p>The Council approved a revised MRP policy at its meeting in November 2020. The report stated that this revised would be effective for 2022 and potentially for 2023.</p>	<p>In the prior year, we reported that the Council had applied capital receipts in lieu of a revenue charge to the general fund. We therefore recommended that the Council reconsider the MRP policy for future years to ensure that it complies with the underlying regulations and guidance and charges a prudent level of MRP to the revenue account. The Council has not revised this policy in the current year.</p> <p>The Government has consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. Government will issue a full response to the consultation in due course.</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 44</p>

Assessment

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2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Compliance and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Council, including specific representations in respect of the Group.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to several counterparties which the Council hold bank accounts, investments and borrowings with. This permission was granted and the requests were sent, all these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	<p>The Council experienced delays in receiving draft accounts for Gloucester Airport Ltd, which prevented full group accounts being prepared and at the time of writing, these have not yet been received. We have also experienced some delays in receiving satisfactory evidence.</p> <p>We would also emphasise that as we respond to findings from the Regulator reviews of our files, the expectations for supporting evidence for transactions continues to increase.</p> <p>We will continue to work with officers to clarify and improve working paper expectations for the 2022/23 audit.</p>

2. Financial Statements - other communication requirements



Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that for the Council:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. <p>This interpretation is not applicable to the Council's subsidiary entities and we are satisfied that there are no going concern matters arising in the subsidiary companies.</p>

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Inconsistencies have been identified in the Narrative Report but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Minimal work is required as the Council does not exceed the threshold.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

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



Key recommendation

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



Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was issued to the Chair of the Audit, Compliance and Governance Committee in September. We expect to issue our Auditor's Annual Report in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified, which were charged from the beginning of the financial year to 8 November, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £41,043 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The materiality of the amounts involved to our opinion and the low likelihood of material errors arising and that the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants, mitigates against this risk.
Certification of Housing Benefit Claim	25,150	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £25,150 in comparison to the total fee for the audit of £41,043 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The materiality of the amounts involved to our opinion and the low likelihood of material errors arising and that the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants, mitigates against this threat.

Appendices

A. Action plan – Audit of Financial Statements

We have identified five recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	<p>Journals</p> <p>Our testing also identified that there is no requirement for journals to be authorised. This increases the risk of errors or fraudulent transactions being posted which may not be identified through budgetary controls.</p>	<p>We would recommend that management implement procedures to review and authorise journals posted.</p> <p>Management response</p> <p>We are a small organisation and don't feel that introducing an authorisation control into the journal posting process would be an effective use of the resources we have available given the low risk of fraud or error in the Statement of Accounts. Instead, since the finance service has transferred back in house we have reviewed and limited the number of users able to post journals. Only finance staff with appropriate experience have access to do this. Similarly, there is monthly monitoring of the budget undertaken by service managers and the finance team which would identify and resolve any incorrect postings.</p>
Medium	<p>Grants received in advance</p> <p>As reported previously, there were two instances where the Council was unable to provide evidence to support the balances held in grants received in advance or to demonstrate a requirement that funding would need to be returned to the grant paying body. These related to grant funding received in previous years.</p> <p>We were advised that this has largely been the case where there have been changes in staffing and information has been lost with members of staff leaving the Council.</p> <p>There is a risk that balances relating to prior periods are incorrectly carried forward or released into the incorrect reporting period if there is not sufficient record keeping.</p>	<p>We would recommend that a review of balances carried forward as at 31 March 2021 is undertaken to ensure that management are fully aware of what these balances relate to and investigate where there is any uncertainty around transactions.</p> <p>Going forward, it would be beneficial to ensure that sufficient records are kept where balances are carried forward into new reporting periods. This will ensure information is not lost with staff changes.</p> <p>Management response</p> <p>The volume and balance of capital and revenue grants received by the Council has increased significantly since 2019/20 and since the finance service has been brought back in house there has been increased investment in making sure these grants are correctly categorised as receipts in advance or grants unapplied. This has meant working closely with the Service Managers who either applied or received these grants in their budget areas. Understanding these historic grant balances has been an iterative process but all grants received since 1 April 2022 have appropriate evidence available. Where limited information exists for historic balances, we have chosen to take a prudent approach by classifying them as receipts in advance.</p>
Medium	<p>Stock price testing</p> <p>Our testing of Other Operating Expenditure identified that stock values were obtained from prices used in the last UBICO Ltd tender exercise with a follow up telephone call to confirm that prices were still correct. The officer undertaking this exercise had left the Council and proper evidencing of this exercise was not available. The value of this balance was £141k and any discrepancies would be trivial and isolated.</p>	<p>We recommend that management ensure that sufficient evidence is retained to support all transactions within the financial statements.</p> <p>Management response</p> <p>Agreed. Management have already confirmed this has been evidenced for the balance in the 2022/23 Statement of Accounts.</p>

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	<p>Infrastructure assets</p> <p>There has been an increased focus on accounting for infrastructure assets during the year, culminating in revised requirements being issued by CIPFA in January 2023.</p> <p>Our review of infrastructure assets at the Council, identified that the Housing Revenue Account holds infrastructure assets with a net book value of £5.1 million were not suitably described within the fixed asset register and a number of general fund infrastructure assets descriptions did not fully identify the nature of the asset held.</p> <p>Whilst the Council has arrangements in place to monitor the condition of infrastructure assets. We recommend that as part of year-end procedures, when the Balance Sheet carrying values of these assets are reviewed for impairment, the Council formalises arrangements to ensure that the reviews undertaken by appropriate officers to support the impairment review process</p>	<p>We recommend that management reviews both general fund and HRA infrastructure assets to ensure that these assets are fully understood.</p> <p>Management response</p> <p>Agreed. The general fund infrastructure asset balance has been reviewed as part of the work on the 2022/23 Statement of Accounts and audit preparation. Further work will be undertaken with Cheltenham Borough Homes to understand the detail of the HRA infrastructure asset balance.</p>
Medium	<p>Decommissioned assets</p> <p>Our testing identified £1.3 million of vehicle, plant and equipment assets that were fully depreciated and no longer in use. These assets should be removed from the asset register, although the net book value is correct, cost and accumulated depreciation are both overstated in note 19.</p>	<p>We recommend that management reviews the asset register and removes decommissioned assets.</p> <p>Management response</p> <p>Agreed. In 2022/23 we appointed a Capital and Treasury Management Accountant who has taken on responsibility for managing and maintaining the asset register and this will be actioned before the audit of the 2022/23 Statement of Accounts.</p>

Action required

- High priority – urgent action should be taken to address the weaknesses identified
- Medium – action should be taken to address the weaknesses identified in a timely manner
- Low – action should be taken to move to best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Cheltenham Borough Council's 2020/21 financial statements, which resulted in five recommendations being reported in our 2020/21 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>It was identified that the total value of heritage assets was not covered by the insurance certificate. Insurance cover held is £650k less than the value of these assets.</p> <p>Should the whole portfolio be damaged or destroyed, the Council would have insufficient insurance cover to replace these assets.</p> <p>We would as such recommend that management review the coverage on an annual basis to ensure that sufficient insurance cover is held.</p>	<p>We have reviewed the insurance documents to determine the coverage of insurance for heritage assets. The value insured remains £650k lower than the carrying value within the financial statements.</p> <p>Management response</p> <p>The review and categorisation of the Council's collection is ongoing and once this is completed an updated listing will be provided to the insurer to update our cover. Commissioning a separate exercise for the purposes of the accounts would be expensive and duplicate work already underway.</p>
X	<p>There were some issues evidencing older balances, this was identified in grant testing; particularly where grants are being carried as receipts in advance or released from receipts in advance during the year.</p> <p>We were advised that this has largely been the case where there have been changes in staffing and information has been lost with members of staff leaving the Council.</p> <p>There is a risk that balances relating to prior periods are incorrectly carried forward or released into the incorrect reporting period if there is not sufficient record keeping.</p> <p>We would recommend that a review of balances carried forward as at 31 March 2021 is undertaken to ensure that management are fully aware of what these balances relate to and investigate where there is any uncertainty around transactions.</p> <p>Going forward, it would be beneficial to ensure that sufficient records are kept where balances are carried forward into new reporting periods. This will enable information is not lost with staff changes.</p>	<p>Our testing undertaken in the current year has identified that this remains an issue.</p> <p>Management response</p> <p>The volume and balance of capital and revenue grants received by the Council has increased significantly since 2019/20 and since the finance service has been brought back in house there has been increased investment in making sure these grants are correctly categorised as receipts in advance or grants unapplied. This has meant working closely with the Service Managers who either applied or received these grants in their budget areas. Understanding these historic grant balances has been an iterative process but all grants received since 1 April 2022 have appropriate evidence available. Where limited information exists for historic balances we have chosen to take a prudent approach by classifying them as receipts in advance.</p>

Assessment

- ✓ Action completed
- X** Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>The Council has incorrectly included capital receipts within its annual charge for MRP which has reduced the amount charged to revenue in the year. This is contrary to the regulations which prescribe the use of capital receipts. Consequently, the annual charge of MRP to the revenue account is understated for the year.</p> <p>The Council needs to revisit its approach for charging MRP so that it does not include capital receipts in lieu of charges to the revenue account.</p>	<p>The Council has continued to apply capital receipts in lieu of charges to the revenue account.</p> <p>Management response</p> <p>The MRP Policy has been informally reviewed in 2021/22 after the 2020/21 August Findings Report was published. It has also been fully reviewed and revised as part of the 2022/23 and 2023/24 budget setting process. We no longer apply capital receipts in lieu of charges to the revenue account and Note 21 of the Statement of Accounts shows this. Instead, capital receipts have been used for the repayment of debt in line with guidance provided by Grant Thornton during the 2020/21 audit.</p>
X	<p>Our testing identified 17 journals that had a blank description, these were selected for testing as this is a weakness in a key control.</p> <p>There is a risk that inappropriate journals could be posted to the ledger to conceal fraudulent activity.</p> <p>We would recommend that all journals are posted with a description, and this is considered as part of the review process. Further training may be necessary for journal posted to ensure the finance team is aware of the important of this key control.</p>	<p>Our testing identified that a similar number of journals had blank descriptions. We reviewed the purpose and supporting documentation for these journals with no issues identified from our testing.</p> <p>Management response</p> <p>Since the finance service has transferred back in house we have reviewed and limited the number of users able to post journals. Only finance staff with appropriate experience have access to do this. Similarly, there is monthly monitoring of the budget undertaken by service managers and the finance team which would identify and resolve any incorrect postings. As part of the 2022/23 year end process a review was undertaken of journals posted without a description. These have been validated and reposted and should not remain an issue going forward.</p>

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	<p>Our testing on the valuation of property, plant and equipment and investment properties identified several errors in relation to source data as detailed within 'key judgments and estimates' from page 16.</p> <p>The Council had difficulty providing evidence to support the floor areas of some assets and properties we selected for testing. We would expect the Council to maintain up to date records of property data, such as floor areas.</p> <p>Where these were not available, we have used Valuation Office Agency data and Energy Performance Certificates to corroborate the floor areas.</p> <p>We would deem the lack of up-to-date property information to be a weakness in evidence. In one case, the Council was unable to evidence why a car park was valued at £227k. This car park is non-revenue generating and is recognised in the fixed asset register as part of another building asset. We have noted that this is an isolated issue and no other assets hold a car park that have been valued in this way. We do not deem this to be an error, but an amount for which we cannot obtain sufficient and appropriate evidence and are reporting this as such.</p> <p>We were also unable to corroborate the fact that management have challenged the valuer on the valuations they produced. As the estimates in the Statement of Accounts are the responsibility of management, not the valuer, we would expect there to be some documentation of the challenges raised. The Council should ensure that up to date records are maintained in respect of property data to ensure the valuations are completed using appropriate inputs.</p> <p>We would also recommend that the valuations produced are reviewed for reasonableness, management should challenge the assumptions made and the source data included.</p>	<p>All appropriate evidence was received. This remains an area of focus.</p> <p>Management response</p> <p>in 2021/22 and 2022/23 our in house Estates Surveyor has reviewed all the valuations and this has been evidenced to Grant Thornton. Controls around our assets have been improved in the period since the last Audit Findings Report however our portfolio is extremely large for an organisation of our size and reviewing the information we hold for each of our assets will take a number of financial years.</p>

B. Audit Adjustments

Impact of adjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have been made within the final set of financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Correction of other land and buildings Our testing identified that an asset included within assets under construction was incorrectly classified. The asset was land at Cakebridge Place which was reclassified as a surplus asset. A valuation was received for this asset of £825,000 Correction of errors in the processing of valuations of other land and buildings assets	(344)	344	(344)
Pension adjustments following the triennial review The net defined pension liability has increased following the triennial review	2,857	(2,857)	2,857
Overall impact	2,513	(2,513)	2,513

B. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure error or omission	Adjusted?
The Narrative Report contained a number of typographical errors and instances where the numbers were not consistent with other disclosures within the accounts.	✓
Note 21. Capital Financing This note contained a number of errors, where figures were not consistent with the working papers provided.	✓
Note 14 Related Parties This note contained a small number of omissions and items that could not be agreed to other evidence.	✓
Note 12 The banding disclosure for employees whose remuneration, excluding employer's pension contributions, was £50,000 was incorrectly presented. Management also omitted to include termination benefits within this disclosure.	✓
Note 1 Accounting policies A small number of amendments were made to accounting policies to reflect the requirements of the Code and practice at the Council.	✓
Note 2 Changes in accounting policy and accounting standards that have been issued but have not yet been adopted A small number of changes have been made to reflect the changed timeframe for the implementation of IFRS 16 and to remove the reference to infrastructure assets which has been temporarily resolved.	✓
Note 3 Critical judgements used in applying accounting policies We noted that the Council had classified the Covid 19 income compensation grant as a service specific grant rather than as a general non ringfenced grant. There are no restrictions on its use. The Council has used its judgement to credit the grant against the services impacted and has updated note 3 to reflect this.	✓
Note 15 Audit fees The Council had incorrectly marked this note as restated. In addition the note has been amended to include certification work in the same balance.	✓

B. Audit Adjustments

Misclassification and disclosure changes

Disclosure error or omission

	Adjusted?
<p>Note 16 Grants</p> <p>We identified that note 16 was inconsistent with note 18. Note 16 was amended to ensure consistency. Note 16 was amended in the final set of accounts to include £1.6m worth of capital grants and contributions.</p>	✓
<p>Note 17 Expenditure and Funding Analysis</p> <p>A number of amendments were made to this note to reflect the Council's outturn report.</p>	✓
<p>Note 19 Property plant and equipment</p> <p>The note setting out the date of valuations undertaken was incorrect .</p>	✓
<p>Note 34 Pensions</p> <p>An additional disclosure has been added to reflect the uncertainty inherent in the roll forward process used to determine asset and liability values.</p>	✓
<p>Note 27 Short term debtors and note 29 Short term creditors</p> <p>A further disclosure was added to distinguish balances that are financial instruments to enable these notes to be reconciled to note 26.</p>	✓
<p>Note 21 Capital commitments</p> <p>The draft accounts reported £1,929,000 of capital commitments at the balance sheet date. Further investigation identified that this figure was incorrect. Total capital commitment at 31 March 2022 was £953,000.</p>	✓
<p>Note 27 Debtors and note 29 Creditors</p> <p>An adjustment of £351 was made to reclassify negative debtors to creditors.</p>	✓
<p>Housing Revenue Account</p> <p>We identified a number of inconsistencies within the statement and note.</p>	✓
<p>Note 6 Events after the reporting period</p> <p>This note has been amended to reflect the conclusion of litigation and the amendments made to the Code in respect of infrastructure assets</p>	✓

B. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit, Compliance and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>Grants received in advance</p> <p>The Council receives certain types of grant funding expenditure where certain conditions need to met to ensure that this funding will not need to be repaid to the funding body. These are recognised in the accounts over a number of years and the income released as the conditions are met . We identified one instance where the Council was unable to provide evidence to support the initial receipt of the grant. Two further instances were identified where the Council was unable to demonstrate that conditions applied and as such there was no requirement not to recognise this income on receipt. As our testing was on a sample basis and does not cover the entire population, we have extrapolated the error to determine the likely impact of a material misstatement arising.</p> <p>This issue was also identified in 2020/21.</p>	(260)	260	(260)	On the basis that this is a projected misstatement based on a balance that cannot be evidenced
<p>Valuation of council houses</p> <p>A number of errors were identified in the calculations provided by the Council's external valuation expert, where incorrect indices were applied. The impact is to understate the value of council dwellings by £736,000.</p>	(736)	736	(736)	Immateriality
<p>Pension Liability</p> <p>Increase in salary assumption in the net defined benefit obligation, not in accordance with our expectations.</p>	(438)	438	(438)	Immateriality
Overall impact	(736)	1,434	(1,434)	

B. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Revaluation gain on investment property incorrectly allocated on the CIES	Cr Financing & Investment income --£86k Dr Surplus or Deficit on revaluation of non current assets --£86k		£ nil	On the basis of materiality
Projected misstatement: being brought forward balances within GRIA the Council were unable to evidence		Dr Grants received in advance - £85k	£nil	On the basis of materiality
Being a brought forward balance within GRIA released to the CIES in year the Council were unable to evidence	Dr Grant income --£158k	Dr --£158k	Dr--£158k	On the basis of materiality
Being the land swap recognised as a reclassification in error and the subsequent revaluation upon identifying this	Cr --(Surplus) or Deficit on revaluation of non current assets --£342k	Dr - PPE: revaluation increases recognised in the revaluation reserve --£342k	Cr --£342k	On the basis of materiality
Being the net impact of the errors identified in investment properties valuation testing	Cr - Financing and Investment income £464k	Dr - Investment properties: Net losses for the period included in the surplus or deficit on the provision of services resulting from changes in fair value --£464	Cr --£464k	On the basis of materiality
Being the net impact of the errors identified in other land and buildings valuation testing	Dr - (Surplus) or Deficit on revaluation of non current assets --£758k	Cr - PPE: revaluation increases recognised in the revaluation reserve -£758k	Dr--£758k	On the basis of materiality
The impact of the McCloud Pension adjustment from 2019 20 has been re stated in the comparators rather than disclosed as a part service cost in 2020 21.	£ nil	£ nil	£ nil	On the basis of materiality
Overall impact	£110k	£1,331k	£110k	

C. Fees

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

The fees reconcile to the financial statements, although we anticipate our fee for grant claims will be slightly lower than reported.

Audit fees	Proposed fee	Final fee
Council audit (scale fee)	£41,043	£41,043
Council – additional fees (including VFM fee)	* £28,100	** TBC
Total audit fees (excluding VAT)	£64,543	TBC

* Additional fees to be approved by PSAA

** The final fee will be discussed with the CFO following completion of the audit prior to being submitted to PSAA for approval

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services - Grant Claims	£32,650	£32,650
Total non-audit fees (excluding VAT)	£32,650	£32,650

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B. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit, Compliance and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
<p>Grants received in advance</p> <p>The Council receives certain types of grant funding expenditure where certain conditions need to be met to ensure that this funding will not need to be repaid to the funding body. These are recognised in the accounts over a number of years and the income released as the conditions are met. We identified one instance where the Council was unable to provide evidence to support the initial receipt of the grant. Two further instances were identified where the Council was unable to demonstrate that conditions applied and as such there was no requirement not to recognise this income on receipt. As our testing was on a sample basis and does not cover the entire population, we have extrapolated the error to determine the likely impact of a material misstatement arising.</p> <p>This issue was also identified in 2020/21.</p>	(260)	260	(260)	On the basis that this is a projected misstatement based on a balance that cannot be evidenced
<p>Valuation of council houses</p> <p>A number of errors were identified in the calculations provided by the Council's external valuation expert, where incorrect indices were applied. The impact is to understate the value of council dwellings by £736,000.</p>	(736)	736	(736)	Immateriality
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Overall impact	(736)	1,434	(1,434)	

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Cheltenham Borough Council

Audit, Compliance and Governance Committee – 26th September 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 and review

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 2023/24 was approved by this Committee in April 2023. 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 – Internal Audit Progress Report, September 2023

Appendix B – Agreed Actions

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Cheltenham Borough Council

Report of Internal Audit Activity

September 2023

Contents

The contacts at SWAP in connection with this report are:

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Jaina Mistry

Principal Auditor

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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	
Key Financial Control	Payroll	Final Report	High Substantial					Report Included
Key Financial Control	Treasury Management and Cashflow Forecasting	Final Report	High Substantial	0				Report Included
Governance	Business Continuity Management – Elections and Revenues and Benefits	Final Report	Medium Reasonable	2		2		Report included
Governance	Business Continuity Management – Corporate Reporting	Final Position Statement	N/A	-				Report Included
Governance	Freedom of Information	Draft Report						
Key Financial Control	Bank Reconciliation	Audit in Progress						
ICT	ICT Business Continuity Management	Audit In Progress						
Key Financial Control	Use of Waivers	Audit in Progress						
Operational	Grant Income	Brief Issued						
Governance	Projects – Lessons Learned	Brief Issued						
Governance	Transparency Data	Scoping						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
					Operational	Accounts Payable – Qtly Review	In Progress	
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						
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						
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

Payroll – Final Report – June 2023

Audit Objective

To provide assurance that the Payroll system is operated in accordance with agreed policy/procedure and with the Council/Clients Financial Rules.

Assurance Opinion



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

Number of Actions

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

Risks Reviewed

Payroll is not processed accurately or on time which means inaccurate, or ghost payments are made resulting in financial losses and reputational damage.

Assessment

Low

Key Findings



Processes have been adopted by the Payroll Team to ensure employees are paid promptly and accurately. Evidence demonstrated reconciliation, review and appropriate approval of payment files including variances, these processes ensure ghost accounts / payments are not created. Remaining leave entitlements are calculated and documented for final payments. Manual salary advances are rare but evidence of approval from Senior Management is documented when necessary. Evidence of recovery of advances and overpayments is available on the Finance system. 3rd party deduction testing did not identify errors. The Council's payroll suspense accounts balance at year end.

Audit Scope

This review includes testing accuracy of information for starters, leavers and contract variations, including name, NI, system status and hours.

An assessment of salary advances and overpayments, including recovery; and processes (including any workarounds) to ensure timely completion and accurate monthly payroll processing.

Deductions and payments for a selection of 3rd parties assessed for accuracy (HMRC not included as this was assessed in last year's audit).

Follow-up of previous agreed actions.

Other Relevant Information

Time analysis was conducted on the manual processes (workarounds) needed to ensure the payroll is processed correctly each month. We calculated that an estimate of 13%, of a Payroll Officer's time, is required for this as the system isn't able to produce a payroll without manual intervention. We are also aware that Payroll Officers only take leave once a payroll has been completed for a month. This can't be avoided without a significant financial investment for a new payroll system. Eliminating the manual workaround requirements would allow officers to concentrate on strategic and management tasks, including cleansing data on the system.

Testing on the accuracy of information identified minor administrative errors which required further assessment with Officers to confirm any impacts would not be of significant concern.

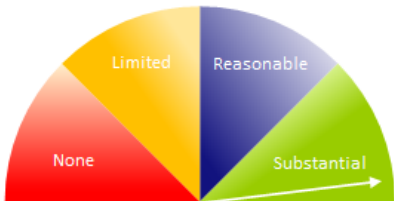
Outdated information identified on the Council's finance/spending webpages relating to pay. Officers should determine who has responsibility for this information as they will need to complete a request for a website update.

Treasury Management and Cashflow Forecasting – Final Report – August 2023

Audit Objective

To review Treasury Management & Cashflow forecasting processes are in accordance with agreed procedures and the Council’s Investment and Treasury Management Strategies.

Assurance Opinion



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

Number of Actions

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

Risks Reviewed

Inadequate cashflow forecasting may lead to poor decisions on investments and borrowing, resulting in financial loss to the Council.

Assessment

Low

Key Findings



Cashflow forecasting has many dependencies and often relies on historical data from previous years which is updated as necessary. All data is recorded within the Treasury Management system and is used for forecasting cashflow and is updated regularly from the relevant information sources such as the main financial management system.



Due to the return of the Treasury Management service to CBC during 2022, resource limitations meant that formal quarterly Treasury reconciliations were not completed. However, we are satisfied that the 2022/23 year end closedown reconciliation has been completed. Also, we can confirm that Treasury data is included in the Quarterly Budget Monitoring reports presented throughout 2022/23 and will also be included in the next report which is due in September 2023.



Treasury Management Strategies are approved. A Treasury Management Outturn report is presented to members each year as well as a mid-year progress report. Investments are made within the Investment Management Strategy guidelines.

Audit Scope

A review was completed in the following areas:

- Processes around cashflow forecasting to include roles and responsibilities.
- Accuracy, ongoing monitoring, and reporting of cashflow changes.
- Authority to determine and change investments in line with Council strategy.

We held discussions with the Treasury Accountant. And reviewed evidence provided to support discussions held.

Conclusion

Robust controls are operating within the areas reviewed in this audit. Roles and responsibilities are established and there is senior management oversight of Treasury Management activity.

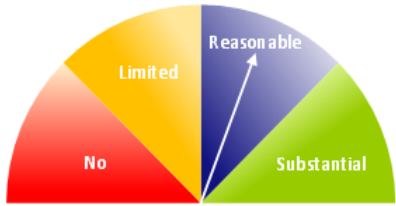
There were no issues or actions to raise.

Business Continuity Management (Elections and Revs and Bens) – Final Report – August 2023

Audit Objective

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

Assurance Opinion



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.

Number of Actions

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

Risks Reviewed

In the event of a major disruption to ICT availability, the over reliance on the ICT department to maintain corporate business continuity and a lack of preparedness by service areas may result in a loss of service continuity across the Organisation.

Assessment

Medium

Key Findings



In both services tested, staff had no, or limited, offline access to copies of their departmental BCP. This could cause issues in the event of inaccessibility to the Council's ICT network or a national power outage.



Although the Service plans tested had been updated in the last 12 months, this was because of changes in staff/contact details. There was no evidence to suggest that Service BCP's were tested or updated annually on a routine basis, with a view to identifying new/emerging risks. There were no entries in the 'Training and Testing' section of the planning document.

There was no evidence of the use of version control for BCPs for either of the services tested.

Audit Scope

The following expected controls were reviewed for the Revenues & Benefits and Electoral Services:

- Completion and approval of Service Area Business Continuity Plans (BCP).
- Identification of critical business processes and their ICT dependencies within that service area and documentation within the BCP.
- Identification and documentation of mitigating factors or workarounds to ensure continuity of service during the loss of ICT availability.
- Identification of any differing requirements between Partner Councils (if applicable).
- BCP review and testing.

Other Relevant Information

Both services tested had commendable awareness and knowledge of the impact that an ICT outage would cause their service. Manual workarounds for business critical processes had been considered in applicable cases and mitigating actions documented.

We were notified post-audit, that the Elections Manager has now addressed the issue of offline access for her staff. We recognise that a training requirement exists for managers and officers involved in BCP issues (procedure, awareness, crisis management etc). This has been addressed in a Position Statement to be issued to CBC management. Similarly, we identified a need for greater support and clarity for Service Managers regarding their responsibilities in respect of business continuity. Again, this has been addressed within the Position Statement. We acknowledge feedback from the services tested regarding greater ICT involvement in composing and updating their BCPs. These issues will be covered within the ICT Audit Plan. Both services tested have been, or will shortly be, in contact with their Gloucester City Council counterparts to understand the issues they encountered before, during and after the ransomware attack in December 2021. This is an invaluable source of directly relevant information and experience and it's important that all Service Managers utilise this.

Business Continuity Management (Corporate) – Final Position Statement – July 2023

Audit Objective

To ensure that the authority has planned for and can maintain, an agreed level of business continuity to priority services in the event of a critical ICT incident.

Introduction / Background

An audit for Business Continuity arrangements in the Revenues & Benefits Service and the Electoral Service was originally included in the agreed Audit Plan. Having reviewed and assessed the controls operating in both of these service areas we are pleased to provide a 'Reasonable' assurance opinion. However, during fieldwork, we identified several issues of a corporate nature which we would like to bring to the Council's attention.

In recent years, the types of threat to the Council's ICT systems have evolved, as evidenced by the ransomware attack on Gloucester City Council in December 2021 which had (and continues to have) a severe impact on their ability to continue to deliver services. Therefore, a programme of ICT audits have been planned with the Publica Chief Technical Officer, which will be reported to the Council in due course.

But it is equally as important to ensure that service areas have their own business continuity practices that can be enacted where ICT services are limited or non-existent.

As a 'Value Added' piece of work, we have agreed with the Head of Corporate Projects to issue a Position Statement for consideration by the Director of Climate Change & Place Services who is the BCP (Business Continuity Planning) Corporate Lead.

Findings / Observations

1. Corporate and ICT Business Continuity Plans are not up to date.

The Corporate Business Continuity Plan (CBCP) provided to us is headed January 2023 and shows it being revised in March 2023. However, this revised plan still contains out of date information. For example, it refers to SLT, GOSS HR, ICTSS (ICT Shared Service) and states relocating staff to the FoDDC council offices. This may not be the most appropriate place to relocate to given the current relationship with the Publica partner councils. Also, given that most officers are equipped to work remotely, should this not be the first approach?

We acknowledge that work is ongoing to update corporate business continuity management provision.

We are aware that the Publica ICT Service have reviewed their processes and audits of ICT Business Continuity and ICT Risk Management are currently being planned.

The absence of up to date business continuity plans subjects CBC to greater risk if there is not a current co-ordinated corporate response in place. Consideration must be given to reviewing and updating the CBCP with relevant up to date information.

2. BCP Co-ordination and Support for Service Managers is lacking.

The two Service Managers interviewed stated that there was insufficient guidance and support provided corporately in respect of business continuity planning and completion of the Business Continuity Plan (BCP) proforma. Previously the BCP required service managers to annually update and test their BCPs. But this is not stated in the updated CBC template. And so there was limited awareness of the need for annual updates and testing and neither manager spoken to knew whether their Service Continuity Plans, once submitted, were subject to any further scrutiny or sign-off. We searched the CBC intranet and found one post offering some guidance, but this was published in 2017 and the officers signposted for further information have both retired and left the Council some time ago.

The lack of direction and potentially an unawareness of best practice by other service managers represents an area of weakness for CBC. If service managers are not kept updated then potentially efforts may be duplicated or processes may take longer to set up.

3. Business Continuity Training / Communications / BCP Testing

The two Service managers advised that they had not received any recent business continuity training. Again review of the CBC intranet did not identify any relevant guidance or training courses. The Learning Management system may have suitable resources available.

Furthermore, we reviewed the Business Continuity folder on the shared area, and although we accept work is ongoing, the last evidence of any BCP testing either corporately or at service level is from 2016. Failure to test BCPs, even if only a desktop exercise is undertaken, means that any weaknesses found will not be addressed and so business continuity risk increases.

4. Operation Mighty Oak

We were advised that in March 2023, the Council took part in a national exercise, Operation Mighty Oak, which focussed on how to proceed in the event of a total power outage (i.e. zero access to IT systems), but the outcome or any points of note/learnings have not yet been communicated.

It may be some time before information is cascaded nationally, and so CBC needs to incorporate their own findings within the current work to update the CBCP. As Business Continuity Plans should be live documents, updates should be completed each time there is a change.

Conclusion

We recognise the organisational changes that the Council has been undergoing may have contributed to Business Continuity Management roles and responsibilities not being clearly allocated. But if there is no corporate approach and if processes are not defined and communicated then the ability to maintain service continuity will be severely hampered.

Since completing our fieldwork we note that a business continuity risk focussing on ICT failure has now been added to the Clearview system and another regarding ineffective business continuity plans. This is a good start to managing business continuity risks.

We have not proposed any formal actions, but suffice to say that business continuity is fundamental to the success of any organisation. Therefore robust processes and procedures must be in place, communicated to the whole organisation, and appropriate training provided. BCPs must be tested to ensure they are fit for purpose, and learnings from other organisations taken into account when considering the Councils' arrangements.

**AGREED ACTIONS AS
AT 31ST AUGUST 2023**

Open Agreed Actions

AP ID	ID	Audit Title	Issue Title	Issue Status	Period	Remediation Action	Priority Score	AP Status	Timescale	Revised Timescale	Revised Timescale 2	Responsible Officer	Follow-Up Assessment	Remediation Date
353	314	CBC - Procurement Cards - Jun 2022	Non-Compliance with Policy / Agreed Protocols (Pentana 47129)	Pending Remediation	2022/23	1.All cardholders will be reminded of the following key control requirements: •Official VAT receipts/invoices must be obtained whenever possible •Use of Sales order confirmation to be used only as a last resort •Consideration given to using the purchase order system where possible 2.Card access and control will be reviewed to ensure compliance with agreed policies.	2	In Progress	30/09/22	30/06/23	30/09/23	Head of Finance	Policy being reviewed by TM Officer to ensure best practice is adopted	--
354	315	CBC - Procurement Cards - Jun 2022	Policy Review (Pentana 47127)	Pending Remediation	2022/23	1.The CBC Corporate Charge Card Policy and Guidance will be reviewed and updated. 2.Cardholder agreements will be reviewed and updated to ensure they are current. Future changes will be updated accordingly. 3.Card usage will be reviewed to confirm if a valid business use for a card exists.	3	In Progress	30/09/22	30/06/23	30/09/23	Head of Finance	Policy being reviewed by TM Officer to ensure best practice is adopted	--
356	317	CBC - Public Performance Information - Apr 2022	Management Checks (Pentana 47715)	Pending Remediation	2022/23	No management checks on the validity and/or accuracy of data submitted were present on any of the KPI submissions tested. This increases the possibility of inaccuracy and fraudulent activity.	3	In Progress	30/06/23	30/06/23	--	Client Officer	Follow-Up - no response from Officer - July 2023	--
357	318	CBC - Taxi Licensing (Safeguarding) - Jun 2022	6 monthly enhanced DBS checks are not completed as per the Common Standards (Pentana 47390)	Pending Remediation	2022/23	We will introduce 6 monthly enhanced DBS checks, including checks against the children and adult Barred Lists as per the Common Standards for Licensing Hackney Carriage and Private Hire Drivers in Gloucestershire.	2	In Progress	31/03/23	30/06/23	31/08/23	Senior Licensing Officer	Meeting held with Team Leader on 24/7/23 Action Remains in progress, timescale revised by 1 month to 31st August 2023 Escalated to CGG and S151.	--

359	320	CBC - Taxi Licensing (Safeguarding) - Jun 2022	Safeguarding training assurance (Pentana 47396)	Pending Remediation	2022/23	We will introduce an assessment of safeguarding course content and responsibilities.	3	In Progress	31/12/22	31/05/23	31/08/23	Senior Licensing Officer	Meeting held with Team Leader on 24/7/23 Action Remains in progress, timescale revised by 1 month to 31st August 2023 Escalated to CGG and S151.	--
424	382	CBC - Planning Enforcement - 2020/21	The Built Environment Local Enforcement Plan (Planning) has not been recently reviewed (Pentana 44647)	Pending Remediation	2020/21	<ul style="list-style-type: none"> The Built Environment Local Enforcement Plan (Planning) and associated protocols will be reviewed and updated to ensure guidance is current and accurate. An audit table will be included to record the drafting and approval process for transparency purposes. The Local Enforcement Plan will be uploaded to the CBC website and intranet as a PDF document so any webpages and email addresses can be easily accessed. 	3	In Progress	31/07/21	30/04/22	31/12/23	Senior Enforcement & Compliance Officer	This action has been delayed. We are advised that a new Head of Development Management, Enforcement & Compliance will be appointed and they will lead on this until completion which should be by the end of 2023.	--
2315	2181	CBC - Business Continuity (Operational R&B & Elect Services) - March 2023	Offline access to BCP to all relevant officers is not available.	Pending Remediation	2023/24	Service Managers will update teams on how/where to access a copy of their service BCP offline.	2	In Progress	30/09/23	--	--	Head of Revenues & Benefits, Head of Electoral Services		--
2334	2199	CBC - Business Continuity (Operational R&B & Elect Services) - March 2023	Annual Testing and Update of Departmental BCPs	Pending Remediation	2023/24	Service Managers will undertake annual testing and updates of their BCPs and record amendments on a version control document.	2	In Progress	31/12/23	--	--	Head of Revenues & Benefits, Head of Electoral Services		--
2436	2289	CBC - Minster XChange 2022/23	Risk Appetite for New Opportunities	Pending Remediation	2022/23	<p>1.Risk appetite and risk capacity are both considered when evaluating any new programmes and projects and will continue to be part of the business case for starting a new project or programme. All templates e.g., Business Case, Project Initiation will be reviewed and amended to ensure this is highlighted.</p> <p>2.The Leadership team are responsible for overseeing & understanding the level of risk across the CBC portfolio of programmes & projects but there is also a dependence on the individual teams escalating risks and issue at the</p>	1	In Progress	30/09/23	--	--	Executive Team & Ann Wolstencroft	To be followed up during October 2023	--

						appropriate times with the appropriate people. To ensure this happens moving forward and to increase transparency, governance and oversight of projects and programmes in 2023 we are introducing a new Project Control Group (PCG) and a Corporate Project Office. Details of these functions can be found in Appendix 1.								
2437	2290	CBC - Minster XChange 2022/23	Decision Making Gateways	Pending Remediation	2022/23	<p>1.All future Programmes/Projects will be required to identify as part of the planning phase the most appropriate times in their plans to conduct formal gate reviews.</p> <p>2.The Corporate Project Office will monitor the list of gate reviews ensuring these reviews cover the relevant points, are attended by key stakeholders and recorded formally.</p> <p>3.All Projects and Programmes will be required to complete decision logs which are reviewed regularly by the relevant Project/Programme Board.</p>	1	In Progress	30/09/23	--	--	Gareth Edmundson & Ann Wolstencroft	To be followed up during October 2023	--

2438	2291	CBC - Minster XChange 2022/23	In-House Expertise for Construction Projects	Pending Remediation	2022/23	<p>1.The original project expertise included a qualified accountant, qualified surveyor and qualified project managers. Whilst not able to challenge some of the complex construction issues there was an expectation that these individuals would have been able to identify and escalate some of the risks earlier to the appropriate people to enable corrective action to be taken. It should also be noted that WSC are the developer of MX and as such should have had appropriate expertise in place. 2.Any future projects, as part of the evaluation process through the Project Control Group, will ensure that the relevant expertise, be it construction or other expertise, is budgeted for as part of the financial business case.3.During 2022 a Director of Regeneration & Major Development was appointed. Since that time this team has been further strengthened by the appointment of a Senior Development Manager, Head of Construction and a further Development Manager. During June 2023 the team will also be appointing a Construction Manager and a Construction Project Manager. 4.In The Business Change team with a number of generic Project and Programme Managers has been disbanded, three members have taken redundancy and there is only one remaining generic Project Manager.5.The introduction of the Project Control Group and the Corporate Project Office will ensure the initial and ongoing scrutiny is in place to monitor activity.</p>	1	In Progress	30/09/23	--	--	Gareth Edmundson & Ann Wolstencroft	To be followed up during October 2023	--
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2439	2292	CBC - Minster XChange 2022/23	Project Sponsor Training	Pending Remediation	2022/23	<p>1.Project Sponsor training has taken place with the whole of the Leadership team.</p> <p>2.A role profile for Project Sponsor has been developed and will be agreed by the Leadership Team.</p> <p>3.Anyone taking on the role of the sponsor in the future will be trained.</p> <p>4.We also need to ensure that all roles within projects in the future have the relevant technical qualifications and all teams members understand the protocols for change control, decision making and escalating issues.</p> <p>5.Checks will also be made to ensure that all team members understand their roles and are undertaking them appropriately to ensure lines, and therefore responsibilities, are not blurred between that of commissioner and developer.</p>	1	In Progress	30/06/23	--	--	Ann Wolstencroft	To be followed up during October 2023	--
2441	2294	CBC - Minster XChange 2022/23	Programme/Project Structure & Documentation Central Repository	Pending Remediation	2022/23	<p>1.The formation of the Corporate Project Office (Appendix 1) will ensure that a strict governance structure is in place in the future and all documents will be stored on a central repository and regular check will be made by the Corporate Project Office to ensure relevant documentation and standards remain in place.2.It will be a requirement that everything will be stored on the agreed corporate project management system to enable internal audit access at relevant times.</p>	1	In Progress	30/09/23	--	--	Ann Wolstencroft	To be followed up during October 2023	--

344	305	PUB - Vulnerability Management (Shell) - Apr 2022	Device Security Status Checks (Pentana 47107)	Pending Remediation	2022/23	Management will; 1.Consider the most efficient method of executing compliance checks, and; 2.Introduce a regular process of completion as part of an Information Security Management System (ISMS) or security control diary. 3.Create and store evidence in a centralised 'Audit and Compliance' document repository.	2	In Progress	31/01/23	31/03/23	31/07/23	Chief Technological Officer	Discussed with the CTO who advised that this is currently being completed on a manual basis and to keep this action open until the revised timescale as an automatic solution is being developed.	--
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Closed Agreed Actions

AP ID	ID	Audit Title	Issue Title	Issue Status	Period	Remediation Action	Priority Score	AP Status	Timescale	Revised Timescale	Revised Timescale 2	Responsible Officer	Follow-Up Assessment	Remediation Date
360	321	CBC - Taxi Licensing (Safeguarding) - Jun 2022	There are no agreed timeframes for informal taxi complaints (Pentana 47404)	Closed	2022/23	We will introduce target timescales for informal complaints	3	Complete	31/12/22	--	--	Senior Licensing Officer	CHP 27/6/23:- Discussed with JM - action complete.	27/06/23
358	319	CBC - Taxi Licensing (Safeguarding) - Jun 2022	Monitoring and Uniform data (Pentana 47478)	Closed	2022/23	We will;•Undertake regular monitoring of applications and complaints.•Introduce regular spot checking of a sample of applications.	2	Complete	31/03/23	30/06/23	--	Senior Licensing Officer	CHP 27/6/23:- Discussed with JM who is comfortable with this - action complete.	27/06/23
361	322	CBC - Taxi Licensing (Safeguarding) - Jun 2022	Certificate of good character declaration (Pentana 47472)	Closed	2022/23	We will update all application forms to include a certificate of good character declaration.	3	Complete	31/12/22	28/02/23	--	Senior Licensing Officer	CHP 18/7/23:- Marked as complete based on the response from both the Team Leader and Head of Public Protection and DEPLO.	18/07/23
446	404	PUB - Accounts Receivable - 2021/22	Debt Management, recovery and write off guidance. (Pentana 47096)	Closed	2021/22	22/23: AR guidance for budget holders, including the main AR guide available via the intranet, will be reviewed and updated to reflect current practices. It will then be communicated and available to all budget holders. 21/22: We will ensure debt management, recovery and write off guidance is available to all budget managers.	Risk Accepted	Complete	31/10/22	31/03/23	30/06/23	Business Manager - Finance	29.6.23: AM: JM discussed with the Business Manager - Finance (DG) who advised that this guidance would not be updated until the wider finance review to confirm roles and responsibilities etc was complete. Given this context, this action will not add value at this time. Therefore it has been closed and a note has been added to the team audit planner to include an assessment of this in future audits. 8.6.23 AM: Emailed the AP&R Team Leader for an update. 4.4.23 Discussion with the team prompted a decision to reduce the priority rating from a 2 to a 3 based on the fact that AR guidance is	29/06/23

													available on the portal and only documentation updates are required and are in progress. Latest description and action added. 20.3.23 AM update: LB advised documentation has partially been reviewed and GOSS references removed from forms. Due to year end pressures, a revised target implementation date of June 2023 was agreed. Description and Action updated in AB to reflect report and appendix.20.1.23 AM update: Had a Teams meeting with the AP & AR Team Leader LB. Discussed this action, the example guidance with aged debt reports only advised how to interpret the report and was therefore not comprehensive enough. LB advised that the AR Guide available via the Publica Portal will be reviewed for accuracy and updated as required including replacing reference to GOSS with Publica. The revised and updated document will be approved as required and issued with the monthly aged debt reports. LB advised on an end of March 2023 timescale.	
426	384	CBC - Monitoring the Performance of Strategic Commissioned Services - 2021/22	Strategic Commissioned Service risk not identified in risk register (CBC) (Pentana 46754)	Closed	2021/22	The S151 Officer should ensure that the Corporate Risk Register or Service Risk Register includes an individual risk for each of its Strategic Commissioned Service providers, separately and that these are reviewed at least on an annual basis.	2	Complete	30/06/22	31/03/23	--	Section 151 Officer	04/04 - Risks and KPIs to manage commissioned services are evidenced in Clearview. Action complete.Mistry, Jaina (07 September 2022 16:11): Will pick this up in the next RM review. Revised date to April 2023.	04/04/23
355	316	CBC - Publica Performance Information - Apr 2022	KPI Definitions & Targets (Pentana 47714)	Closed	2022/23	CBC's Head of Performance, Projects & Risk and Client Officer will facilitate a full review of KPI's across the client management suit over the coming months.	3	Complete	31/03/23	--	--	Head of Performance, Projects and RiskClient Officer		12/05/23

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Cheltenham Borough Council

Audit, Compliance and Governance Committee

26 September 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.

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 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 2023/2024.

3. Reasons for recommendations

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 working with colleagues within Trading Standards and the Police to establish an effective communication strategy to provide relevant information to members of the public relating to seasonal scams and ways to avoid them. Awareness sessions have been held for Members and all staff.
- 3.4. In relation to the Business Grant Schemes, as previously reported, the focus now relates to debt; recovery, reconciliation and transfer to the Department for Business and Trade (DBT). Updated figures confirm that invoices totalling £96,098 were raised; £59,764 has been recovered and returned to DBT. £36,334 has not been repaid and liability for the recovery of this has been transferred to DBT.
- 3.5. Assurance work has been completed in relation to the Test and Trace payments made on behalf of the Department for Health and Social Care. 50 payments representing 10% of all successful applications for the mandatory scheme have been reviewed. This has resulted in 47 cases having been closed no further action and 3 cases of recovery totalling £1,500.
- 3.6. 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.
 - The team have reviewed the 979 Council Tax Single Person Discount matches relating to the 2022/2023 data sets. 122 enquiry letters have been issued to residents requesting further information.
 - 484 further matches have been received relating to Council Tax Reduction Scheme, Housing Benefit, tenancy, housing applications and internal data anomalies. These will be reviewed in due course and results will be reported to Audit, Compliance and Governance Committee.
- 3.7. In addition to the review of single person discount anomalies identified by the NFI exercise, the CFEU and the Revenues Team are undertaking additional proactive work to review those

households with a discount applied. Since 1 April 2023, 1913 individual households have been contacted by email to confirm occupation details.

- 3.8. 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. 30 applications were removed and 8 applications were downgraded representing a figure of £128,940 in loss avoidance. Each cancelled housing application represents a property which can be reallocated to another eligible family. The National Fraud Initiative applies a figure of £4,283 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.
- 3.9. 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.
- 3.10. During Quarter 1 of 2023/2024:
- The team received 16 referrals from across the Council and closed 17 cases. This excludes any Council Tax Reduction Scheme referrals.
 - Work undertaken with the Public Protection Team resulted in the successful prosecution of an individual for offences relating to the Protection from Eviction Act 1977. The individual was found guilty at trial, received a Fine for £210, and was ordered to pay £7,540.60 in costs.
 - 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. 8 referrals were received and 8 cases were closed.
 - Increased Council Tax revenue of £9,150 has been raised. 2 Criminal Penalties and 1 Civil Penalty totalling £1,174 were applied.
- 3.11. During Quarter 1 of 2023/2024, work with Cheltenham Borough Homes:
- 54 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.
 - 1 referral has been received relating to housing and tenancy fraud such as abandonment, illegal succession, subletting, false housing applications, right to buy fraud.
 - 4 cases have been received for debt tracing.
- 3.12. 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.

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:

- a. Risk Assessment
- b. Work Plan 2023/2024

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	Detail
Bribery and Corruption	Assessment Template Review	
Governance	Delivery of two reports for Audit, Compliance and Governance Committee	April / September
Governance	Fighting Fraud & Corruption Locally - Checklist Compliance	Draft Completed, to be presented to Governance Group
Governance	Government Functional Standard 013: Counter Fraud - Compliance	Draft Completed, to be presented to Governance Group
Governance	Fraud Risk Strategy / Response Plan	Presented to Audit, Compliance and Governance Committee September 2022 - next review 2025
Governance	Development of Service Specific Fraud Risk Registers	Revenues, Benefits and Procurement
Policy	Counter Fraud and Anti-Corruption Policy	Reviewed and Approved by Audit, Compliance and Governance Committee September 2022 / Cabinet December 2022 - next review 2025
Policy	Corporate Enforcement Policy	Reviewed and Approved by Cabinet September 2019 - Next Review 2022: Commenced
Policy	CTAX, CTRS & HB Penalty and Prosecution Policy	Reviewed and Approved by Audit, Compliance and Governance Committee September 2017 / Cabinet November 2017 - Under Review
Policy	Proceeds of Crime & Anti-Money Laundering Policy	Reviewed and Approved by Audit, Compliance and Governance Committee April 2021 - Next Review April 2024
Policy	Whistle-Blowing Policy	Reviewed and Approved by Audit, Compliance and Governance Committee April 2022 - Next Review April 2025
Policy	RIPA (Surveillance & CHIS)	Reviewed and Approved by Audit, Compliance and Governance Committee January 2020 / Cabinet February 2020 - Next Review 2023

Area of Work	Task	Detail
Policy	IPA (Acquisition of Communications Data)	Reviewed and Approved by Audit and Governance Committee January 2020 / Cabinet February 2020 - Next Review 2023
Policy	Use of the Internet and Social Media in Investigations and Enforcement	Reviewed and Approved by Audit, Compliance and Governance Committee September 2021 / Cabinet November 2021 - Next Review 2023
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 / Risks	To be included within the Fraud Risk Registers
Serious and Organised Crime	Proactive Fraud Drive - Transient / Cash Businesses	
Statutory / Regulatory	Collation and Publication of Fraud Transparency Data	Complete - Published May
Statutory / Regulatory	RIPA / IPA - Annual Report to Members / Advisory / Inspection SPoC	Annual updates completed April. Inspection complete, next inspection 2026.
Strategy : Detection	Housing Waiting List review	2022/23 Emergency 49 reviewed / 9 discrepancies referred / 1 removal 2022/23 Gold 59 reviewed / 22 discrepancies referred / 6 removals / 2 downgraded 2022/2023 Silver 521 reviewed / 128 discrepancies referred / 23 removals / 6 downgraded Loss Avoidance = £128,490
Strategy : Detection	National Fraud Initiative Match Reviews - Revenues / Benefits	2022/2023 - 1121 matches received / 979 reviewed

Area of Work	Task	Detail
Strategy : Detection	National Fraud Initiative Match Reviews - Housing	2022/2023 - 194 matches received
Strategy : Detection	National Fraud Initiative Match Reviews - Payroll	2022/2023 - 45 matches received
Strategy : Detection	Test and Trace - Assurance and Enforcement Activities (sample 10%)	50 reviewed = 47 NFA / 3 Recoveries = £1,500
Strategy : Detection	Business Grants - Assurance and Enforcement Activities	Debt recovery and transfer
Strategy : Detection	SMI Review (sample 20)	
Strategy : Detection	Business Rates Review Self Catering Accommodation - Assurance and Enforcement Activities	Pending guidance / regulations
Strategy : Detection	Procurement Proactive Fraud Drive - Supplier Payment Review	Commenced
Strategy : Detection	Business Rates Proactive Fraud Drive - Small Business Rates Relief	
Strategy : Detection	Proactive Fraud Drive - Single Person Discount Households	Q1 - 535 review forms issued
Strategy : Prevention	Development of Fraud Awareness Literature (staff)	Complete - to be issued to staff
Strategy : Prevention	Development of Right to Buy Debt Recovery Process	
Strategy : Prevention	MAAF Support / Work Streams	Member Awareness Session 17 May 2023 / Staff Awareness Session 2 August 2023

Area of Work	Task	Detail
Strategy : Prevention	Training Members / Staff - Fraud Awareness / RIPA & IPA / Criminal Enforcement CPIA, PACE, Disclosure Training / Money Laundering	

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 and Governance Committee

26 September 2023

Council Tax, Housing Benefit and Council Tax Support

Penalty and Prosecution Policy

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:

To present the Audit, Compliance and Governance Committee with an updated Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy for comment.

The Policy has been reviewed to ensure the content reflects current legislation and the Council's Policies and Procedures. The Policy will replace the existing Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy.

Recommendations:

That the Audit, Compliance and Governance Committee:

Considers the Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy to comment thereon to Cabinet, to aid its deliberations and decision making.

1. Implications

1.1. Financial, Property and Asset implications

The Policy provides Officers with a framework that can be followed when dealing with matters arising from cases of fraud and error. This allows for financial penalties to be charged however, the intention of the Policy is not primarily for revenue raising purposes but to ensure the proper use and protection of public funds.

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 legislation utilised by the Counter Fraud and Enforcement Unit and other service areas within the Council is identified within the Policy and the Council must comply with all legislative requirements.

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. The Counter Fraud and Enforcement Unit is tasked with reviewing the Council's Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy. It is recommended good practice that the Policy is updated and reviewed at least every few years in line with any legislative changes.

2.2. 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.

3. Reasons for recommendations

- 3.1. The Policy, attached at Appendix ii, has been updated in accordance with the review period. Review frequency is as required by legislative changes or every three years. This has been delayed due to events over the last three years.
- 3.2. The Policy and fines set out therein are legislative and have not been altered since the Policy was originally drafted several years ago.
- 3.3. The Council's existing Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy was developed to reflect (i) latest legislation and (ii) the changes following the creation of the Single Fraud Investigation Services (operated by the Department for Work and Pensions) which subsumed the Council's responsibilities for investigating Housing Benefit Fraud.
- 3.4. The Council Tax Support Scheme was introduced in 2013 and replaced Council Tax Benefit. The scheme is locally agreed with some set parameters and the responsibility to enforce any fraud or abuse of the scheme rests with the Council.
- 3.5. The Council has a responsibility to ensure that Council Tax is billed correctly and that there is no abuse of exemptions and discounts. The Policy seeks to set out the action that the Council may take in relation to fraud and misinformation in relation to this.
- 3.6. It should be noted that legislation outlines that to incur a Civil Penalty for a Housing Benefit overpayment, the value of the overpayment needs to exceed £250 however, the Policy details that for decisions across the Counter Fraud and Enforcement Unit Partnership, this figure will be £500. When setting this figure, consideration was given to current cost of living pressures and the vulnerabilities of the demographic this particular Policy impacts.
- 3.7. The Policy has been reviewed and drafted for the participants within the Counter Fraud and Enforcement Unit Partnership and will provide consistency to the application of penalties and legal action across Gloucestershire and West Oxfordshire.
- 3.8. The Audit, Compliance and Governance Committee (then Audit Committee) last considered the Policy in September 2017.
- 3.9. The changes are minor, to reflect changes to departmental names within the Councils and duties and responsibilities within the Department for Work and Pensions. Amendments also ensure continuity across the Counter Fraud and Enforcement Partnership as the Counter Fraud and Enforcement Unit is charged with investigation in this area for six Councils.
- 3.10. As part of the consultation process, the Policy has been reviewed by the Revenues and Benefits Manager, the Deputy Revenues and Benefits Manager and One Legal.
- 3.11. Awareness will be raised with all staff following the approval of the Policy.

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,
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Appendices:

- a. Risk Assessment
- b. Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy

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

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Version Control:	
Document Name:	Council Tax, Housing Benefit and Council Tax Support Penalty and Prosecution Policy
Version:	2.0
Responsible Officer:	Emma Cathcart, Head of Service, Counter Fraud and Enforcement Unit
Approved by:	Cabinet / Executive / Audit & Standards Committee
Next Review Date	July 2026
Retention Period:	N/A

Revision History

Revision date	Version	Description
July 2023	2	Overall review and update. Adapted to ensure the same Policy applies to all partner Councils

Consultees

Internal	External
Service Area Lead Officer – Revenues and Benefits	
One Legal / Legal Services	
Audit Committee / Audit and Governance Committee / Audit, Compliance and Governance Committee	

Distribution

Name	
Revenues and Benefits Enforcement Staff	

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1. INTRODUCTION

- 1.1. The Council is committed to the detection of fraud and has a responsibility to ensure that Housing Benefit and Council Tax Support are paid correctly. Council Tax Support is also referred to as the Council Tax Reduction Scheme or Local Council Tax Support Scheme. For the purpose of this Policy, it is referred to as Council Tax Support only. Council Tax Support replaced Council Tax Benefit from 1 April 2013.
- 1.2. The Council is also charged with ensuring that Council Tax is billed correctly and that discounts and exemptions are not claimed incorrectly.
- 1.3. This Policy sets out the Council's approach to prosecution and other sanctions in cases of fraud or misinformation in respect of Council Tax Support, Council Tax and Housing Benefit.
- 1.4. It has been revised in the light of the transfer of Housing Benefit fraud investigation to the Department of Work and Pensions (DWP) in 2015.
- 1.5. This Policy does not include specific reference to National Non-Domestic Rates (NNDR) although the Local Authority has the power to obtain particulars of persons interested in land as set out under Section 16 of the Local Government Act 1976. Pursuant to Section 16(2), if a person fails to comply with such requests, they will be guilty of an offence and liable on summary conviction to a fine not exceeding level five on the standard scale.

2. BACKGROUND

- 2.1 This Policy is governed by legislation and DWP guidance including The Local Government Act 1972, The Local Government Finance Act 1992, Welfare Reform Act 2012, Police and Criminal Evidence Act 1984, Social Security Administration Act 1992 and The Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013.
- 2.2 This Policy has been agreed by the Council and will be reviewed as required in response to changes in legislation or government guidance.

3. PURPOSE

- 3.1 The purpose of the Penalty and Prosecution Policy is to set out the action which the Council may take in cases of fraud or misinformation in relation to;
 - a) Claims, or attempted claims, for Housing Benefit.
 - b) Claims, or attempted claims, for Council Tax Support.
 - c) Council Tax Discounts and Exemptions.
- 3.2 The Policy provides guidelines that will be followed where applicable and clarifies which areas are the responsibilities of the Council and those, which are the responsibility of the DWP.

4. AREAS OF RESPONSIBILITY

- 4.1 Responsibility for investigation and the application of sanctions lies as follows:

4.2 Housing Benefit (and Council Tax Benefit for offences relating to the period prior to April 2013) where there is evidence of fraud:

- a) Investigation is the responsibility of the DWP's Operational Excellence Directorate and cases will be referred to the DWP in accordance with DWP guidance accordingly.
- b) Cautions no longer apply to these cases.
- c) The Council has retained the delegated power to offer an Administrative Penalty following a recommendation from the DWP.
- d) Prosecution of cases is the responsibility of the DWP.

4.3 Housing Benefit where there is no evidence of fraud:

- a) The Council will make enquiries in respect of cases of misinformation or error made by the customer where the overpayment is incurred wholly after 1 October 2012 and the value of any overpayment exceeds £500.
- b) A civil penalty of £50 may be applied by the Council in line with regulations.

4.4 Council Tax Support:

- a) The Council has retained the responsibility to investigate and sanction allegations of fraud and abuse in relation to Council Tax Support claims.
- b) A Caution, Penalty or Prosecution may be considered where there is evidence of fraud.
- c) A civil penalty of £70 may be applied where there is no evidence of fraud.
- d) An Authorised Officer within the Council has the power to obtain information as set out under Regulations 4 and 5 of The Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013. Pursuant to Regulation 6, if a person refuses or neglects to produce any documentation when required to do so, they will be guilty of an offence and liable on summary conviction to a fine not exceeding level three on the standard scale.
Where a person is convicted of an offence and the refusal or failure continues after conviction, the person shall be guilty of a further offence and liable on summary conviction to a fine not exceeding £40 for each day on which it is continued.

4.5 Council Tax:

- a) The Council has responsibility for investigating incorrectly claimed Council Tax exemptions and discounts.
- b) A civil penalty of £70 and an additional civil penalty of £280 may be applied where appropriate – see Table of Civil Penalties on page 6.

5. GENERAL PRINCIPLES

5.1 In deciding what action to take, designated Officers within the Council will consider the following:

- Each case will be considered on its own merits;
- There must be sufficient, reliable evidence to justify the action taken;
- The action taken must be in the public interest;
- Any mitigating circumstances;
- The decision to prosecute an individual is a serious step and has implications for all involved. Decisions to prosecute should always be fair, proportionate, consistent and equitable;
- In exceptional circumstances, an alternative to prosecution (Caution or Penalty) may be considered without regard to the amount of the overpayment.

6. SANCTIONS AVAILABLE FOR OFFENCES RELATING TO COUNCIL TAX SUPPORT

6.1 The three sanctions available where a criminal investigation has been undertaken are a Caution, a Penalty or Prosecution.

6.2 In cases of error or misinformation, a Civil Penalty may be applied.

6.3 LOCAL AUTHORITY CAUTION

6.4 A Caution is an oral warning given in certain, less serious circumstances as an alternative to prosecution to a person who has committed an offence. It is intended to be a meaningful penalty and deterrent where other actions are not appropriate. The Caution may be a verbal warning but both parties sign the Caution Certificate and a record is kept by the Council.

6.5 If a person declines the offer of a Caution the case will be recommended for prosecution.

6.6 A Caution will usually be considered where the amount of the recoverable Council Tax Support is of a low value where the evidence indicates that:

- a) It was a first offence, or
- b) There was no planning involved, or
- c) There was no other person involved in the fraud, and
- d) The person's circumstances and demeanour towards the offence indicates that a Caution would be the most appropriate action and
- e) The person has admitted the offence in an Interview under Caution.

6.7 In these circumstances, the Council will issue an official Local Authority Caution and require full repayment of the recoverable Council Tax Support.

6.8 A Caution is not applicable where the offence is an attempt and there is therefore no financial loss to the Council or gain to an individual.

6.9 PENALTY

6.10 A Penalty is a financial penalty offered as an alternative to prosecution, usually in circumstances not deemed serious enough to warrant prosecution.

6.11 If a person refuses a Penalty, the case will be recommended for prosecution.

6.12 A Penalty will be considered where the evidence indicates that:

- a) It was a first offence, or
- b) The person failed to attend an interview under caution, or
- c) The person has previously been cautioned within the last 5 years for a similar offence but the offence was minor and the current offence is minor; and
- d) There was no planning involved, or
- e) The person has not admitted the offence at an Interview under Caution, and
- f) There was no other person involved, and
- g) The person's circumstances and demeanour towards the offence indicates that a Penalty would be the most appropriate action.

- 6.13 In such circumstances, the Council will make an offer of a Penalty in addition to requiring full repayment of the recoverable Council Tax Support.
- 6.14 The penalty will be a minimum of £100, or 50% of the recoverable amount of Council Tax Support up to a maximum of £1,000.
- 6.15 **PROSECUTION**
- 6.16 Prosecution proceedings will usually be instigated only after the evidential and public interest tests as detailed in the Code for Crown Prosecutors are satisfied, and in line with the Council's own Corporate Enforcement Policy. Prosecution will be considered where:
- a) It was not a first offence, or
 - b) The fraud has been deliberate and calculated, or
 - c) The fraud had continued over a long period; or
 - d) The value of the overpayment or financial gain is significant; or
 - e) The person has failed to attend an interview under caution; or
 - f) There were other persons involved in the fraud and collusion has been investigated, or
 - g) The person has declined the offer of a Penalty or withdrawn agreement to pay and Penalty; or
 - h) The person has declined the offer of a Caution
- 6.17 The decision to prosecute is a serious step and has implications for all concerned. The Council will ensure that decisions to prosecute are made in a fair, proportionate, consistent and equitable-manner.
- 6.18 The Council will also consider the following:
- a) Offender's physical conditions such as illness, disability, age etc and mental capacity.
 - b) Social factors such as domestic violence, coercive control, career or employment impact, childcare etc.
 - c) Voluntary disclosure where the individual makes a full and frank admission without prompting.
 - d) Procedural difficulties, delays, failures in the investigation or administrative process.
- 6.19 **SANCTION RECOMMENDATIONS**
- 6.20 The recommendation to apply any sanction will be made in the first instance by the Counter Fraud and Enforcement Unit (CFEU) Investigating Officer, after consultation with an appropriate CFEU Senior Officer, to the appropriate Revenues and Benefits Department for approval.
- 6.21 Recommendations for criminal sanctions will be referred to the appropriate Legal Department.
- 6.22 An appropriate CFEU Senior Officer will administer Cautions and Criminal Penalties on behalf of the Revenues or Benefits Department.
- 6.23 **CIVIL PENALTIES**
- 6.24 A civil penalty is a financial penalty that that can be imposed where a person has negligently supplied incorrect information or failed to supply information that affects;

- a) The amount of Housing Benefit or Council Tax Support they have been paid or would have been paid or,
- b) The amount of Council Tax they have been billed or would have been billed.

6.25 CIVIL PENALTIES APPEAL PROCESS

- 6.26 If a customer is not satisfied with the decision to impose a civil penalty in relation to Housing Benefit, they can write to the Council’s Revenues and Benefits Department within one calendar month of the date of their letter in which the civil penalty is issued, and ask for a reconsideration of the decision. The customer will need to state and provide evidence, where appropriate, why they feel the decision is wrong. An appropriate Senior Officer within the Revenues and Benefits Department will carry out the reconsideration. The outcome of the reconsideration is final and there is no further appeal process.
- 6.27 If a customer is not satisfied with the decision to impose a civil penalty in relation to Council Tax Support, they can write to the Council’s Revenues and Benefits Department within one calendar month of the date of their letter in which the civil penalty is issued, and ask for a reconsideration of the decision. An appropriate Senior Officer within the Revenues and Benefits Department will carry out the reconsideration. If the appeal is not successful, the customer may appeal to the Valuation Tribunal. In both instances, the customer will need to state and provide evidence, where appropriate, why they feel the decision is wrong.
- 6.28 If a customer is not satisfied with the decision to impose a civil penalty in relation to Council Tax, they can write to the Council’s Revenues and Benefits Department within one calendar month of the date of their letter in which the civil penalty is issued, and ask for a reconsideration of the decision. An appropriate Senior Officer within the Revenues and Benefits Department will carry out the reconsideration. If the appeal is not successful, the customer may appeal to the Valuation Tribunal. In both instances, the customer will need to state and provide evidence where appropriate, why they feel the decision is wrong.

TABLE OF CIVIL PENALTIES			
Service	Amount of penalty	Criteria	Appeal method
Housing Benefit	£50	1. Negligently or carelessly giving incorrect information, or 2. Failing to provide without reasonable excuse, information in respect of a claim or payment of benefit, or 3. Failing to notify, without reasonable excuse, a relevant change in circumstances (reasonable excuse = ill health, significant stress)	The Council
Council Tax Support	£70		The Council and then the Valuation Tribunal
Council Tax	£70	1. Failing to supply information following a request from the Council, or 2. Supplied information about a liable person that is materially inaccurate, or 3. Failing, without reasonable excuse, to notify the Council that a dwelling is no longer exempt, or	The Council and then the Valuation Tribunal

		4. Failing, without reasonable excuse, to notify the Council that a level of discount no longer applies (reasonable excuse = ill health, significant stress)	
Council Tax	£280	1. Where a penalty has been imposed and a further request to supply the same information is made again and is not properly complied with, and may do so each time it repeats the request and the person concerned does not properly comply with it. There is no limit to the number of times this penalty can be imposed.	The Council and then the Valuation Tribunal

7. STRATEGY AND POLICY REVIEW

- 7.1 The appropriate department will review and amend this Policy as necessary to ensure that it continues to remain compliant and meets legislative requirements and the vision of the Council in consultation with the S151 Officer, the Legal Department and Members.

Responsible Department: Revenues and Housing Support Services

Policy Author: Counter Fraud and Enforcement Unit

Date: July 2023

Review frequency as required by legislative changes / every three years.

Cheltenham Borough Council**Audit, Compliance and Governance Committee****26 September 2023****Approval of the Statement of Accounts 2021-22**

Accountable member:

Councillor Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Gemma Bell, Director of Finance and Assets (Deputy s151 Officer)

Accountable scrutiny committee:

Audit, Compliance and Governance Committee

Ward(s) affected:

All

Key/Significant Decision:

Yes

Executive summary:

In line with the Government timeline for publication of Local Authority Statement of Accounts the draft Statement of Accounts for 2021/22 were published on the Council's website by 31 July 2022. The final audited accounts for 2021/22 were required to be published by 30 November 2022 and the Committee has previously discussed the reasons that this deadline was not met.

Audit work has been undertaken by Grant Thornton since September 2022 and the draft ISA 260 Audit Findings Report is included in the reports pack for this committee.

The purpose of this report is to present the draft Statement of Accounts 2021/22 alongside the audit report for comment and discussion by the Committee. The audit is expected to conclude by 30 September 2023 and the version of the accounts presented here includes all adjustments agreed with audit at 22 September 2023.

Members of the Committee will recall that Council previously agreed that the consideration and sign off of the Statement of Accounts is delegated to the Audit, Compliance and Governance Committee and that no report is made back to Council unless there are issues arising from the audit.

It is recommended that the Committee delegate authority to the Chair of the Committee to sign the final version of the accounts and letter of representation, subject to no significant issues being identified in the audit between now and then. If this is the case, the Statement of Accounts will be brought back to the Committee for consideration.

Recommendations:

It is recommended that:

a) The Committee review and in principle approve the draft Statement of Accounts 2021/22 dated 22 September 2023.

b) The Committee approve the delegation of authority to the Chair of the Committee to sign the final version of the accounts and management representation letter, subject to no significant issues being raised by audit.

1. Implications

1.1 Financial, Property and Asset implications

As detailed in the report.

Signed off by: Gemma Bell, Director of Finance and Assets, gemma.bell@cheltenham.gov.uk

1.2 Legal implications

This report adopts relevant guidance issued in the Accounts and Audit Regulations 2003 and 2011.

Signed off by: legalservices@onelegal.co.uk

1.3 Environmental and climate change implications

The recommendations in this report have no environmental and climate change implications.

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 Performance management – monitoring and review

The status of the audit work for 2021/22 has been regularly reported to the Committee in the period since September 2022.

2. Introduction

- 2.1 The Accounts and Audit Regulations require the council to prepare an annual statement of accounts each year. The Section 151 Officer must sign and date the draft statement of accounts and certify that they accurately present the financial position of the Council. There should then be a period of public inspection of the accounts before the final audited version is signed and published.
- 2.2. In 2020/21 the deadline for publication of the draft accounts was extended from 31 May to 31 July and this was also the case for 2021/22. The Council published a draft set of accounts on their website by 31 July 2022.
- 2.2 The Regulations then require that the draft accounts be audited and for the audited statement of accounts to be considered and approved by way of a council committee by 31 July, following the year end. Again, in 2021/22 this was extended to 30 November. This was not achieved for a number of reasons which have previously been presented to and discussed by the Committee.
- 2.3 The draft Statement of Accounts 2021/22 are presented to the Committee at Appendix 1. This includes all changes requested by external audit up to 22 September 2023. The Audit Committee review specifically considers whether appropriate accounting policies have been followed, the conclusion of the audit of the statements, and whether there are any issues that need to be brought to the attention of the Council. The Committee also considers whether the Annual Governance Statement fairly reflects the arrangements within the council and whether the suggested action plan will address any significant governance issues.
- 2.4 The draft 'Audit Findings' report from Grant Thornton presented to this meeting highlights the results of the audit work undertaken to 18 September 2023. The audit of the Statement of Accounts for 2021/22 is expected to conclude by 30 September 2023 and the following approval of the recommendations in this report the Statement of Accounts 2021/22 will be signed and dated by the Chair of this Committee.

3. Auditor's Report

- 3.1 The council's external auditors, Grant Thornton UK LLP, are in the process of completing a full audit of the financial statements and will issue a 'Report to those charged with governance (ISA 260) for 2021/22', which is anticipated to give the Statement of Accounts an unqualified audit opinion in relation to the Council's Statement of Accounts 2021/22. This has been presented to the Committee earlier in this meeting.

4. Reasons for recommendations

- 4.1 The Council is required to formally approve its audited annual Statement of Accounts and this is delegated to the Audit, Compliance and Governance Committee. Due to the timing of the Committee, the draft Statement of Accounts have been presented which incorporate all adjusted changes identified and agreed with Grant Thornton up to 22 September 2023. The Committee are asked therefore to review and consider the draft Statement of Accounts and approve delegated authority to the Chairman of the Audit Committee to approve the Statement and sign the Letter of Representation on behalf of the Council once the audit is concluded and a final opinion is issued. This is subject to any significant changes or issues being identified by audit in the period between 23 September 2023 and the signing date. If this is the case, the Statement of Accounts will be brought back to the Committee for consideration.
- 4.2. A copy of the draft Statement of Accounts 2021/22 is attached at Appendix 1 to this report. Once finalised, signed and approved, the audited statements will be published on the Council's website and notice advertised of the completion of the audit.

5. Letter of representation

- 7.1. As part of the approval process for the Statement of Accounts, the Council is required to provide a Letter of Representation to the external auditor. This is to confirm or notify any material factor that could affect the auditor's view of the accounts since formal closure at 31 March 2022.
 - 7.2 Note 31 outlines contingent liabilities; these are issues that currently exist but had no materialised by 31 March 2022. As Deputy Section 151 Officer I can confirm there has been no resolution to date of these matters, nor any other changes that I need to report to the external auditor.
 - 7.3 It is seen as best practice for both the Section 151 Officer and the Chair of the Audit Committee to sign the Letter of Representation. Again, it is recommended that this is delegated to the Chair as part of the approval of the Statement of Accounts and attached at Appendix 2.
-

Report author:

Contact Officer: Gemma Bell, Director of Finance & Assets (Deputy s151 Officer)
gemma.bell@cheltenham.gov.uk

Appendices:

Appendix 1 - Statement of Accounts 2021/22

Appendix 2 – Management Letter of Representation 2021/22

Background information:

Code of Practice on Local Authority Accounting in the UK 2021/22 Accounts



CHEL TENHAM

BOROUGH COUNCIL

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Grant Thornton UK LLP

Cheltenham Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Cheltenham Borough Council and its subsidiary undertakings, Cheltenham Borough Homes Ltd and Gloucestershire Airport Ltd or the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of investment properties, council dwellings, other land and buildings and investment properties and the net defined benefit pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

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- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

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- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

- xvii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Compliance and Governance Committee at its meeting on 26 September 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

ANNUAL ITEMS (standing items to be added to the work plan each year)	
January	
Audit committee update (h/o from March)	Grant Thornton
Annual Auditors report, 2021-22 (h/o from March)	Grant Thornton
IT Security update	John Chorlton/ Tony Oladejo
Cyber Security Business Continuity Arrangements (inc. review of databases and data sources)	Mike Redman
Audit committee update	External Auditors
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	[External Auditors]
External audit plan (for the current year)	[External Auditors]
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 and Local Code of Corporate Governance (if CIPFA guidance has changed)	Monitoring Officer
Annual Review of Risk Management Policy	Ann Wolstencroft
Annual Review of Draft Accounting Policies	Gemma Bell
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
Review of Risk Register	Ann Wolstencroft
Annual Governance Statement and Local Code of Corporate Governance	Claire Hughes
September	
Audit Findings Report - ISA260 – for previous year	Grant Thornton
Internal audit monitoring report	Internal Audit
Counter Fraud and Enforcement Unit update	Counter Fraud and Enforcement Unit
Review of Risk Register	Ann Wolstencroft
Statement of Accounts (previous year, inc. letter of representation)	Finance Team

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