

**Cheltenham Borough Council**  
**Audit Committee – 15 January 2014**  
**Audit Commission Report – Auditing the Accounts 2012/13**

<b>Accountable member</b>	<b>Councillor Jon Walklett - Cabinet Member Corporate Services</b>
<b>Accountable officer</b>	<b>Mark Sheldon - Director of Resources</b>
<b>Ward(s) affected</b>	<b>Overview and Scrutiny</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>Audit Committee approved the Accounts on the 25<sup>th</sup> September 2013 which included the Annual Governance Statement (AGS) for the period 1<sup>st</sup> April 2012 to 31<sup>st</sup> March 2013.</p> <p>The AGS indicates how the Council is complying with its Code Of Corporate Governance including the internal control arrangements and management of risk.</p> <p>The Audit Commission has published a report – Auditing the Accounts 2012/13 (appendix 2) which summarises the results of the work of the External Auditors across the country and highlights an issue with the Councils AGS.</p>
<b>Recommendations</b>	<b>That elected Members consider the Audit Commission report, its comments in respect of Cheltenham Borough Council and the comments by Grant Thornton in respect of its work on the 2012/13 AGS and make any recommendations necessary.</b>

<b>Financial implications</b>	<p>None arising from this report.</p> <p><b>Contact officer: Mark Sheldon</b></p> <p><b>Email: mark.sheldon@cheltenham.gov.uk Tel: 01242 264123</b></p>
<b>Legal implications</b>	<p>None directly arising from this report</p> <p><b>Contact officer: Sara Freckleton, Borough Solicitor</b></p> <p><b>Tel; 01684 272011</b></p> <p><b>sara.freckleton@tewkesbury.gov.uk,</b></p>

<b>HR implications (including learning and organisational development)</b>	No direct HR implications in this report. <b>Contact officer: Donna Sheffield</b> <b>Email: donna.sheffield@cheltenham.gov.uk</b> <b>Tel: 01242 774972</b>
<b>Key risks</b>	None arising out of this report.
<b>Corporate and community plan Implications</b>	Good governance helps to deliver the Councils aspirations to be an excellent, efficient and sustainable Council. It also ensures that risks are identified and managed to protect its assets and workforce.
<b>Environmental and climate change implications</b>	None

## 1. Background

- 1.1 The Accounts and Audit (England) Regulations 2011 regulation 4 requires council's to conduct an annual review of the effectiveness of their system of internal control, following the review the Council must approve an Annual Governance Statement (AGS).
- 1.2 The AGS for the 2012/13 financial was approved by the Audit Committee on the 25<sup>th</sup> September 2013 as part of the Accounts.
- 1.3 The External Auditors also presented their ISA260 report to the Audit Committee in September 2013 and there were no comments regarding the AGS.
- 1.4 The Audit Commission published a report on the 12 December 2013 – Auditing the Accounts 2012/13 (appendix 2) which summarises the results of the work of the External Auditors across the country and highlights an issue regarding a statement within Cheltenham's Borough Councils AGS.
- 1.5 This issue relates to the Role of the Chief Financial Officer who is the Council's Director of Resources

## 2. Reasons for recommendations

- 2.1 In 2010, the Chartered Institute of Public Finance and Accountancy (CIPFA) published its *Statement on the Role of the Chief Financial Officer in Local Government* (the Statement). The Statement sets out how the Chief Financial Officer (CFO) should fulfil the requirements of legislation and professional standards in carrying out their role. It also sets out five principles that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them. This includes the principle that the CFO is a key member of the leadership team.
- 2.2 The Local Authority Code requires councils to confirm in their AGS that the body's financial management arrangements conform to the governance requirements of the Statement. Where they do not, the body must provide an explanation of how its financial management arrangements deliver the same impact. The Local Authority Code does not provide an example of what that confirmation should say.
- 2.3 The 2012/13 AGS included the following statement in respect of the Role of the Chief Financial

Officer (Director of Resources who is the designated Section 151 officer)

*To ensure compliance with the Financial Procedure Rules set out in the constitution, the Council has designated the Director of Resources as Chief Financial Officer, in accordance with Section 151 of the Local Government Act 1972. The role is supported through a robust system of financial management. This officer is a key member of the Leadership Team, helping it to develop and implement the authority's strategic objectives ensuring alignment with the authority's financial strategy*

- 2.4 The Audit Commission reported that our External Auditors found that we had not met this requirement of the Local Authority Code as we did not include a relevant disclosure in our AGS.
- 2.5 Following the publication of the Audit Commission report, Grant Thornton informed us that they were notified by the Audit Commission on 1<sup>st</sup> October 2013 of the requirement to complete their auditing the Accounts survey and return their response by 14<sup>th</sup> October. The survey included, amongst other things, a question asking if there was a specific statement in our AGS that conformed to those set out in the CIPFA Statement on the Role of the Chief Financial Officer.
- 2.6 They responded to the survey on 9 October 2013 by saying that that there was no specific statement but there were some general references to compliance with CIPFA requirements, i.e. that compliance was implied. The Audit Commission have subsequently confirmed from their reading of the document that their response was accurate as set out in their email response (dated 10 December 2013) and concluded that the Council should be named in their report.
- 2.7 grant Thorntons risk-based audit approach did not identify this issue and so was not reported in our findings letter at the Audit Committee on 25<sup>th</sup> September 2013.
- 2.8 They did not raise the issue subsequently with the Council as they were unclear whether the naming would happen given their response, and they had not received any communication from the Audit Commission directly on the matter.

### **3. The 2013/14 Annual Governance Statement**

- 3.1 The Director of Resources has taken note of Grant Thornton's comments and the Audit Commissions report and proposes inserting the following more explicit statement within the 2013/14 AGS:-

*The Council is able to confirm that it conforms to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The Section 151 Officer is qualified and a substantially and suitably experienced accountant, who is responsible for the proper administration of the Council's financial affairs and for ensuring the lawfulness and financial prudence of financial transactions. The s151 Officer is a member of the Executive Board and Senior Leadership Team with responsibility for: leading and advising on the strategic financial decisions impacting on the Council's delivery of its objectives; ensuring continuing effective financial controls and risk management; management of the Corporate Finance function, which is appropriately resourced with professionally qualified management.*

### **4. Consultation and feedback**

- 4.1 Grant Thornton, One Legal and GOSS HR have been consulted on the report and where they have made comments they have been taken into account

### **5. Performance management –monitoring and review**

- 5.1 The Audit Committee will approve the 2013/14 AGS which will include the amended text at its June 2013 meeting.

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<b>Appendices</b>	<ol style="list-style-type: none"><li>1. Risk Assessment</li><li>2. Audit Commission Report – Auditing the Accounts 2012/13</li></ol>