

## Responses from Management:

Auditor question	Response
<p>What do you regard as the key events or issues that will have a significant impact on the financial statements for 2016/17?</p>	<p>Revenue Outturn-</p> <ul style="list-style-type: none"> <li>Waste collection &amp; Recycling Income – There is a significant drop in the value of recycled materials, with an estimated net income shortfall against budgets of £165k in 2016/17. In addition the council's share of the estimated Ubico shortfall for 2016/17 is £132k.</li> <li>These overspends are more than offset by surplus car parking, crematorium and development control and planning income, which are expected to continue at the current levels into 2017/18, and by vacancy savings in employee budgets in 2016/17.</li> </ul> <p>Balance sheet-</p> <ul style="list-style-type: none"> <li>Increase in the DCLG local social housing adjustment factor of 4% (from 31%-35%) and increase and rebasing of the Land Registry local housing price index applied to the open market value of council dwellings (valued at EUV-SH) , resulting in Revaluation gains of £33.4 million.</li> <li>Re-measurement of the Pension scheme net defined liability (actuarial gains/losses) of £9.7 million, contributing to £8.7 million increase in pension liability.</li> </ul>
<p>Have you considered the appropriateness of the accounting policies adopted by the Council/Group? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Annually GO Shared Services review the accounting policies which accompany the statement of accounts. These policies will be reviewed formally by the Audit Committee.</p> <p>The following changes in accounting standards were introduced in the 2016/17 Code:</p> <ul style="list-style-type: none"> <li>Amendments to IAS19 <i>Employee benefits</i> (Defined Benefit Plans: Employee Contributions)</li> </ul>

	<ul style="list-style-type: none"> <li>• Annual improvements to IFRSs 2010 - 2012 Cycle</li> <li>• Amendment to IFRS11 <i>Joint Arrangements</i></li> <li>• Amendment to IAS16 <i>Property, Plant and Equipment</i> and IAS38 <i>Intangible Assets</i></li> <li>• Annual Improvements to IFRSs 2012 – 2014 Cycle</li> <li>• Amendment to IAS1 <i>Presentation of Financial Statements</i></li> <li>• Changes to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MIRS) and the introduction of a new Expenditure and Funding Analysis (EFA) and notes.</li> </ul> <p>With the exception of changes to the format of the CIES and MIRS and introduction of the EFA, these amendments have not had a material impact on the financial statements or balances of the council.</p>
Are you aware of any changes to the Council's/Group's regulatory environment that may have a significant impact on the Council's/Group's financial statements?	Annually, GO Shared Services request that service managers highlight any change to the Council's regulatory environment. None of the responses result in any significant impact on the financial statements although the move to 100% retention of business rates, changes to the allocation of New Homes Bonus and changes to the funding needs assessment may create some volatility in future years.
How would you assess the quality of the Council's/Group's internal control processes?	<p>The Councils Annual Governance Statement is based upon an annual review of its internal controls and the work of internal audit.</p> <p>Internal Audit has considered the governance arrangements in place for each of the council's service areas in preparing the AGS via certificates of assurance from all Senior Managers.</p> <p>One Legal provides advice on the separation of duties in respect of decision making.</p> <p>The governance structures within each of the shared services have been designed to ensure</p>

	<p>that decision making is transparent and based upon sound audit principles.</p> <p>Audit Cotswolds (SWAP from 1<sup>st</sup> April 2017) provides the Audit Committee with monitoring reports which provide a level of assurance for the Council and for partners within shared services. The opinion in respect of 2016/17 was classified as 'satisfactory' assurance.</p>
How would you assess the process for reviewing the effectiveness of internal control?	<p>Key areas of risks are covered by internal audit. Any serious findings are reported to the Audit Committee.</p> <p>Reliance on audit reports and the Annual Governance Statement which includes officer annual declarations which cover internal control.</p> <p>Internal Audit provide a cyclical effectiveness review which will be reported to the Audit Committee.</p>
How do the Council's/Group's risk management processes link to financial reporting?	<p>The council has a robust risk management process which requires managers to manage all risks within projects and services with escalation to the corporate risk register (where appropriate) which is reviewed monthly by SLT prior to circulation to the Cabinet.</p> <p>All reports to committees require financial implications and risks to be identified.</p>
How would you assess the Council's/Group's arrangements for identifying and responding to the risk of fraud?	<p>The Counter Fraud and Anti-Corruption Policy, the Whistleblowing Policy, Internal Audit Charter and the terms of reference for the Chief Internal Auditor are formally agreed by the Audit Committee. These documents set out the role of Internal Audit in the prevention and investigation of fraud. The Audit Committee also approves the risk-based annual audit plan and prepare audits to consider possible areas where fraud may be a risk.</p> <p>In addition, a permanent shared Counter Fraud Unit has been established following the successful bid in February 2015 to the Department of Communities and Local Government (DCLG) for funding. This ensures the authority retains skills and resources to tackle fraud following the Department of Work</p>

	<p>and Pensions Single Fraud Investigation Service (DWP SFIS) led changes.</p> <p>The overall remit is to prevent, detect and deter the abuse of public funds within the Council by working closely with other public sector organisations.</p> <p>The team will be undertaking reactive investigation work where a referral is received and where necessary, proactive fraud drives in high risk areas.</p> <p>The Council also employs a number of Enforcement Officers within the various service areas who undertake work to tackle abuse of public funds.</p>
What has been the outcome of these arrangements so far this year?	<p>An assessment of fraud risks within the Council was completed in 2014/15 to help inform the bid to DCLG. The result of this work was used to scope the remit of the new Counter Fraud Team and set new performance targets.</p> <p>The 2017/18 work plan builds on the feasibility work that the Counter Fraud Unit undertook during the pilot period considering high risk areas, income generation, loss avoidance work and deterrent.</p> <p>The team is tackling areas of known abuse with Enforcement Teams where appropriate and corporately with the direction of the Corporate Management Team.</p> <p>Audit Committee is updated biannually with regard to the progress of the work plan and any identified fraud risk or abuse through management reports to the Committee.</p> <p>The Council feeds data in to the Cabinet Office National Fraud Investigation process and reviews the information feedback from the data matching process to identify potential fraud for investigation.</p>
What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	<p>The Counter Fraud Unit is in its infancy and as such the team are undertaking work with various departments across the authority concentrating on areas which attract a higher risk of fraud; CTAX discount abuse, fraudulent Right to Buy applications / Tenancy Fraud. The</p>

	<p>team are also reviewing possible areas of abuse internally such as incorrect expenses and allowances.</p> <p>Historically the Council has targeted abuse within the Housing Benefit system and there has been little focus elsewhere. The Counter Fraud Unit now has a larger remit to tackle fraud and abuse more holistically.</p>
Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	<p>The Counter Fraud Unit has been contacted for advice in relation to referrals from internal members of staff. Any reports would be dealt with correctly and in line with the Whistleblowing Policy.</p> <p>The Counter Fraud Unit have reviewed and redrafted the Whistleblowing Policy to ensure it is current and robust when dealing with these types of referral. This was adopted by the Council in 2016, staff awareness training is planned for this week.</p>
Have any reports been made under the Bribery Act?	An allegation of bribery and corruption was received. The matter was investigated and not upheld although process recommendations were issued to management.
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>The Counter Fraud Unit provides biannual updates to Audit Committee.</p> <p>The Counter Fraud Unit reports to the S.151 Officer and with agreement reports results, risk and control recommendations to the Senior Leadership Team for consideration. .</p>
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	<p>Staff briefings are used to give specific messages although it is widely acknowledged that the Council has a zero tolerance to fraud and has been seen to take action in the past.</p> <p>The Corporate Governance Group receives a report on the level of compliance on declarations of interests and for returns on Gifts and Hospitality.</p> <p>The Counter Fraud Team remit includes staff and member awareness sessions and alerts were necessary. Publicity with regard to identified fraud and error will also be encouraged to act as a deterrent</p>
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	Any significant litigation claims are referred to One Legal who will then advise the relevant

	<p>officer. The relevant officer will brief Exec Board / SLT / Members as appropriate.</p> <p>Legal costs will also form part of the quarterly budget monitoring reports.</p> <p>Advice from GOSS Insurance Officer and Zurich Municipal is used to assess level of provision held for excesses. Other liability identified includes MMI write-off provision and contingent liability.</p>
Is there any use of financial instruments, including derivatives?	No.
Are you aware of any significant transaction outside the normal course of business?	No.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No.
Are you aware of any guarantee contracts?	No.
Are you aware of allegations of fraud, errors, or other irregularities during the period?	<p>The Counter Fraud Unit are conducting a number of investigations in relation to abuse of public funds within or against the authority. This includes allegations of Tenancy Fraud with the Council's arms length organisation, Cheltenham Borough Homes.</p>
Are you aware of any instances of non-compliance with laws or regulations or is the Council/Group on notice of any such possible instances of non-compliance?	<p>The Council's S151 officer, Monitoring Officer, Head of Paid Service and Directors ensure that all legal requirements are met. All complete an annual assurance review which includes compliance with legislation and regulation.</p> <p>Assurance is gained from internal controls within the audit process, VAT and treasury advisers. All of the reports to Cabinet, Council, and other Committees include HR, legal and financial implications which are completed by the relevant professional officer.</p> <p>The Audit Committee is advised by the Council's S.151 Officer, Internal Audit and the Corporate Governance, Risk and Compliance officer who provide assurance regarding compliance with laws, regulation and financial rules. They bring any issues to the attention of the Committee and provide updates on progress against any appropriate action plans.</p>

Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	No.
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	No.
Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	<p>PPE Valuations are performed by the Authority's in house valuer in line with RICS guidance. A rolling programme of asset revaluation is in place. The remaining useful life of property assets is calculated by the valuer following RICS guidance.</p> <p>For provisions and liabilities an estimate is made of the likely future cost based on a review of the likelihood and risk related to the potential obligation.</p> <p>Where appropriate, information is obtained from the Authority's in house solicitor.</p> <p>For pensions, actuarial valuations of pension liabilities and assets are undertaken annually by the actuary in accordance with IAS 19.</p>
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No.
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	<p>SLT receive a 'Bridging the Gap' project highlight report at each of their monthly meetings, which will include any changes to the MTFS or budget strategy. The Council's MTFS was approved by full Council in February 2016 showing the council is a going concern over the next 4 years with plans in place to alleviate the significant reductions in core government funding.</p> <p>The S.151 Officer also provides an independent assessment of the overall financial position as part of the budget setting process (Section 25 report).</p>
Management is required to consider whether there are any material uncertainties that cast doubt on the Council's/Group's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?	<p>A report was written to inform Grant Thornton of an assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts for 2015/16. The conclusion within that report was that it was considered that having regard to the Council's arrangements and such factors as highlighted in that report that the Council remains a going concern. This assessment will be undertaken annually in the course of preparing the Council's financial statements. The Section 151 Officer does not foresee any reason why the</p>

	statements for 2016/17 will alter that position.
Can you provide details of those solicitors utilised by the Council/Group during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The legal provider to Cheltenham BC is One Legal which is a shared service between the Council and Gloucester City Council and Tewkesbury Borough Council. The majority of legal work is undertaken internally at One Legal. Locum solicitors are used periodically to cover recruitment shortfalls and peaks in workload.</p> <p>During 2016/2017, specialist external legal support was engaged in respect of planning inquiries, property regeneration, property disputes, airport and housing benefit prosecutions (Crown Court) from: Bevan Brittan, Trowers &amp; Hamlins, Devonshires, Pinsent Masons and Chambers as follows: No. 5 Chambers, No. 8 Chambers, Five Paper, Unity Street Chambers and Francis Taylor Building. As at April 2017 No. 8 Chambers was still being engaged in respect of an ongoing Crown Court case. Also, in 2017/18, advice continues to be obtained from Devonshires in respect of property disputes.</p> <p>In addition, the Council is involved in a number of group claims through the Local Government Association.</p>
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Capita, Treasury Management advisors. Grant Thornton, general VAT and taxation advice.
Have any of the Council's/Group's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No.