



Notice of a meeting of Audit, Compliance and Governance Committee

**Wednesday, 13 July 2022
6.00 pm
Council Chamber - Municipal Offices**

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

The Council has a substitution process and any substitutions will be announced at the meeting.

Important Notice

Filming, recording and broadcasting of council meetings

This meeting will be recorded by the council for live broadcast online at
<http://www.cheltenham.gov.uk> and www.youtube.com/user/cheltenhamborough.

The Chair will confirm this at the start of the meeting.

****Members, please note, this meeting will be preceded by in-person training,
starting at 4.00pm in the Council Chamber**

Agenda

1.		APOLOGIES	
2.		DECLARATIONS OF INTEREST	
3.		MINUTES OF THE LAST MEETING	(Pages 3 - 10)
4.		PUBLIC AND MEMBER QUESTIONS These must be received no later than 12 noon on the fifth working day before the date of the meeting	
5.		EXTERNAL AUDIT PROGRESS REPORT Report from Alex Walling of Grant Thornton	(Pages 11 - 22)
6.		INFORMATION REQUESTS ANNUAL REPORT 2021-22	(Pages 23 - 30)
7.		INTERNAL AUDIT OPINION 2021-22	(Pages 31 - 58)

8.		WORK PROGRAMME	(Pages 59 - 60)
9.		ANY OTHER ITEM THE CHAIRMAN DETERMINES TO BE URGENT AND REQUIRES A DECISION	
10.		DATE OF NEXT MEETING	

Contact Officer: Democratic Services, 01242 264130
Email: democratic.services@cheltenham.gov.uk

Audit, Compliance and Governance Committee

Wednesday, 20th April, 2022

6.00 - 7.40 pm

Attendees	
Councillors:	Paul McCloskey (Chair), David Willingham (Vice-Chair), Matt Babbage, John Payne and Richard Pineger
Also in attendance:	Paul Jones, Gemma Bell, Emma Cathcart, Lucy Cater and Alex Walling

Minutes

1. APOLOGIES

Apologies were received from Councillors Clucas and Stafford.

2. DECLARATIONS OF INTEREST

There were none, but Councillor McCloskey put on record his non-executive directorship of Publica.

3. MINUTES OF THE LAST MEETING

Minutes of the meeting held on 12th January 2022 were approved unanimously as a true record of the meeting.

4. PUBLIC AND MEMBER QUESTIONS

There were none.

5. AUDIT PROGRESS REPORT AND SECTOR UPDATES

Alex Walling of Grant Thornton said the Auditor's Annual Report was presented at the last meeting, bringing the 2021 work to a close, and Grant Thornton is now in the process of planning for the final accounts audit for 2021-22. The next agenda item was the Audit Plan, and prior to that, initial planning work has been undertaken, taking into account internal work, the council's control environment, financial systems, and anything else which has arisen over the last year. Regarding value for money, this also takes into account financial sustainability, governance, and the three Es – economy, effectiveness, and efficiency.

She took the report as read, but highlighted that the 2021 audit work was complete (bar issuing the certificate which closes it down - this is expected in early summer), grant claims, and the audit work being undertaken this year. Based on work so far, there were no issues to bring to Members' attention. The audit finance report will be brought to November committee, and the Auditor's report will be completed after all the audit accounts work, ideally before December 2022 depending on the quantum of work.

A Member commented that the reports were well laid out as usual, but in the sector update, it would be helpful if there was a reflection on the implications of this for Cheltenham.

In response to a Member's questions, Alex Walling confirmed that:

- Grant Thornton was required under auditing standards to ensure its knowledge of the entity is up to date. This involved looking back at the last year to see what financial systems the council had in place, ensuring all documents were up to date, and making sure that the system was working as they were being told. They very much relied on previous years and their knowledge of that;
- regarding Grant Thornton's review of internal audits of the core financial system, external auditors were no longer allowed to rely heavily on internal audit work as in the past. Internal auditing was more concerned with ensuring controls were in place, whereas the external approach focussed on substantive, year-end testing. They had ongoing discussions about what internal auditors were doing and finding, but did not duplicate their work.

Members noted the contents of the update.

6. EXTERNAL AUDIT PLAN TO 31 MARCH 2022

Alex Walling of Grant Thornton introduced the report, which set out planning work done to date, based on analysis and knowledge of previous years, and highlighting the headlines: group accounts, significant risks, valuation of land and buildings, materiality, value-for-money arrangements. She confirmed that the final visit will be between July and September, to be agreed with the finance team, and that proposed fees were being discussed with PSAA – she hoped to have a better estimation next month, but advised that the scale fees on the PSAA website had been woefully inadequate for the amount of work required over the last few years, and remote working, Covid, and expectations of regulators have all complicated matters.

In response to Members' questions, she confirmed that:

- auditing standards were revised recently, and put more onus on councillors to understand the estimates in the accounts. Finance teams produced accounts which were approved by Members, and it would be helpful for them to understand how the figures were reached. The Head of Finance, Property and Assets confirmed that training was in place post-election, adding that Agenda Item 13 was a report presenting the external risk assessment, key estimates, how these were reached, and controls, to ensure Members are happy with the estimates and consider them to be appropriately managed;
- more detail could have been provided regarding progress against the prior year – these will be included in the final accounts and audit;
- the MRP provision should not have appeared twice, and she apologised for this. Grant Thornton was engaged in ongoing discussions with the council about MRP, their view being that the council was not treating it in line with regulations, and further discussions were needed to bottom out the issue;
- INFLO is the software currently being used by the vast majority of Grant Thornton's clients in the private and public sector, including police clients. It makes it easier to interrogate the figures in a set way, via one central

repository, thus avoiding duplication. It is a lot more sophisticated than some processes used in the past, and Grant Thornton are not aware of any breaches of security issues with this third-party IT system. A Member commented on the importance of ensuring that certificates are still in date and thus secure;

- it is good practice for management to challenge any information from third parties, such as the figures from the valuers, to ensure that there is evidence that these were looked at and were in line with what was expected, based on its knowledge and experience of Cheltenham.

The Head of Finance, Property and Assets said she would look into whether ICT can do anything to prevent blank journals from being processed.

The Director Finance and Assets noted that one of the recommendations as part of the VFM work was to refresh the whistle-blowing policy – this has been accomplished and is an agenda item at the meeting.

No vote was required on this item.

7. PROPOSED INTERNAL AUDIT PLAN 2022-23

The **Deputy-SWAP** said the plan had been drafted in consultation with Members, officers, the risks register, and items identified by the audit team. Finance, HR and ICT was always included, and under business grants, the council tax rebate, climate change, and carbon reduction had all been considered. She confirmed this is an agile rolling plan, not fixed in stone, and that the Charter is a standard document which explained the response for the internal auditors and CBC – there were no changes from last year.

In response to a Member's question, she confirmed that quarterly meetings of the Committee were adequate – the programme, although agile, did not need to be adjusted more frequently.

A Member commented that a limited number of committees occasionally convene in exempt session to consider serious allegations, for example against taxi drivers or concerning safeguarding issues, the nature of which may cause distress to both Members and officers. He asked that welfare provision available to staff be made available for Members on an ad hoc basis when dealing with such matters, to ensure they are fully supported in their role.

RESOLVED (unanimously) that:

- the Proposed Internal Audit Plan 2022/23 be approved;
- the Internal Audit Charter be approved.

8. INTERNAL AUDIT PROGRESS REPORT

The Assistant Director, SWAP, advised that this item is presented at every meeting to update Members on the work undertaken by the internal audit team, as summarised in the report. This included summaries of reports concluded since the last meeting, and a summary of higher-priority agreed actions which had been followed up.

In response to Member questions, officers confirmed:

- audit work is presented as an agile rolling plan, with work still in progress feeding into the next year's report, though the team will finish as much of the work on the current audit plan as possible in the next 6-8 weeks;
- regarding resources, SWAP now has an external client team which called upon for extra assistance if needed, but officers are generally content with the team they have;
- following some good meetings with ICT officers, the ICT privileged account management audit is in draft report stage and will be finalised in time for an opinion; some useful ideas for next year's ICT audit have also been put forward;
- to ensure emergency planning work is adequately covered, the executive leadership team was mindful of the workload previously falling on one individual when considering the new organisational structure. The DEPLO and deputy DEPLO will be supported by a number of staff members who have volunteered to be part of the emergency planning team.

A Member questioned whether responsibility for the risk register should lie with Audit, Compliance and Governance or Overview and Scrutiny. The Executive Director Finance and Assets confirmed that this issue had been picked up in the external audit, with the recommendation that it must be regularly reported and Members need to agree to which reporting committee it should come – either of the above, or Cabinet. One Member suggested that all three of those bodies needed to see the risk register for different reasons, to ensure that processes were being followed.

Members noted the contents of the report.

9. COUNTER FRAUD AND ENFORCEMENT UNIT REPORT

The Head of Service, Counter-Fraud and Enforcement Unit presented the regular update report, with details of work undertaken in the last year – in particular on business grants and the associated risks over payment recoveries, and more recently work on Omicron activities – helping with verification of anomalies and mandatory pre-payment checks. The national fraud initiative matches are still awaited – due at the beginning of April – relating to grants paid between November 2020 and April 2021. Information of the usual single person discount anomalies and council tax support investigations is on-going, and there will be an increase in DWP referrals as they get back on track with benefits work. The CBH housing list has just been received, and will be worked on in Quarter 1 to ensure the right people are on the waiting list.

One Member thanked the team for its work, commenting that the figures - £45,594 as a result of corrected single person discount anomalies, £3,909 from council tax support, £37,450 loss avoidance from the right-to-buy scheme, a prosecution for housing application fraud – showed the value of the work being done, and reinforced the message that the council was cracking down on fraud in Cheltenham.

In response to Members questions, the officer responded as follows:

- the team provides support services for the whole council, and will always help with enforcement activities where needed, including illegal evictions, licensing prosecutions, fly tipping etc;
- the team is asked to undertake disciplinary investigations for gross or serious misconduct, which includes a multitude of issues, not just financial matters. More information on the three cases set out in the report can be provided if Members wish.

Regarding the annual update which the team is required to provide on communications data requests and surveillance, this is quite self-explanatory. Members have seen and approved the policies; the procedure sitting behind the policy on the use of the internet and social media is quite involved and still being sorted out. Details of applications and records are included, and in addition, an annual meeting will be held with the Chief Executive to update on activities and provide an oversight of all related activities at the council.

The contents of the report were noted by Members.

10. ANNUAL REVIEW OF CODE OF CORPORATE GOVERNANCE

The Executive Director Finance and Assets apologised that the (Ann Wolstencroft) was not at the meeting to present her report, but advised that any questions he could not answer would be passed on to her and written responses provided. He confirmed that the Code of Corporate Governance ensured that the council conducted its business in accordance with the law and proper standards, and that public money used properly and effectively.

In response to a Member question, he said he could not confirm how many updates had been added to the previous issue of the report, but would ask the report author to provide a track change version if possible. Another Member commented that many documents don't incorporate version control, and that this would be a sensible way to move forward.

A Member welcomed that requirement that Members and staff demonstrate a strong commitment to the rule of law, and also the balancing of feedback from more active stakeholder groups with other stakeholders to ensure inclusivity, saying it was sometimes too easy to take on board the view of the noisy few.

RESOLVED (unanimously) that:

- the 2021/22 draft Annual Governance Statement be approved.

11. ANNUAL GOVERNANCE STATEMENT

In response to Members' questions, the Executive Director Finance and Assets confirmed that this was a working document which would come back to the Committee at number of times to ensure Members were confident that the right issues were being captured. A very succinct final version would be signed off by the Leader and the Chief Executive.

A Member noted the reference to the Joint Core Strategy, stating that this is now known as the Joint Strategic Plan.

RESOLVED (unanimously) to:

- approve the draft 2021/22 Annual Governance Statement.

12. APPROVAL OF REFRESHED WHISTLE-BLOWING POLICY

The Head of Service, Counter Fraud and Enforcement Unit introduced her report, outlining the updated whistle-blowing policy which included some very minor changes to ensure it was still fit for purpose. These included signposts for individuals to go to independent bodies for advice, and a suggested flow chart for the intranet to make the process easier for staff. She confirmed that after the policy was adopted, training could be rolled out for all staff, giving them confidence in the process.

A Member wondered if a double negative in Paragraph 1.6 of the report - '*staff are not prevented...*' would be better expressed as '*staff are encouraged...*'.

In response to a Member's question as to whether an employee who raises a grievance about being bullied, harassed or victimised by another member of staff could be said to be acting in the public interest, as required by the policy, the officer confirmed that the intention is to avoid any vexatious claims, and that a grievance must be based on a concern that a staff member is doing something wrong – abusing his/her position, acting fraudulently etc. This statement can be enhanced to ensure that staff are comfortable bringing up legitimate grievances, and that these will be dealt with in the correct manner.

Members agreed on the importance of the policy as part of the way the council operates. The policy will run till 2025 and be publicly accessible.

RESOLVED (unanimously) that:

- the Policy attached to the report be approved and adopted; and
- the Executive Director Finance and Assets be authorised to approve future minor amendments to the Policy in consultation with the Counter-Fraud and Enforcement Unit, Human Resources, One Legal and the appropriate Cabinet Member.

13. INFORMING THE EXTERNAL AUDIT RISK ASSESSMENT 2021/22

The Head of Finance and Assets thanked the (Emma Cathcart) for her team's contribution to the fraud risk assessment. As outlined by Grant Thornton, this had been an opportunity for officers and the finance team to reflect on any change in risks, that needed to be considered in the statement of accounts. The document summarised the thought process and assessments made around laws and regulations, changes to accounting policies, the CIPFA code, any related parties, and particularly the accounting estimates in the statement of accounts and controls in place to make sure uncertainties around those estimates are managed as well as they can be.

She confirmed that no decision from Members was needed, but that any implications from the assessment would be reflected in the draft statement presented to the committee in July.

In response to a Member question regarding the valuation of pension fund liabilities, she stated that the actuary's detailed report was subject to review and challenge by managers, and the effect of the pandemic and climate change on mortality would be carefully scrutinised before being presented in the draft statements.

She also agreed that abbreviations and acronyms would be fully explained in future reports.

The contents of the report were noted by Members.

14. REVIEW OF 2020/21 ACCOUNTING POLICIES

The Manager of Finance and Assets corrected the agenda – this item should be titled ‘Review of 2021/22 Accounting Policies’, the accounts currently being closed down to prepare. She said this is a draft which, once agreed, will be audited by Grant Thornton and presented in the final statement of accounts. Accounting policies have been reviewed based on the changes to the CIPFA code – there have been no significant changes compared to the previous year, so the recommendation is for Members to note the content of the draft policies and make any comments as necessary.

In response to a Member question, she confirmed that the recommendation around MRP doesn’t fundamentally change the wording of the account policies.

Members noted the contents of the draft accounting policies.

15. WORK PROGRAMME

The Chair invited any comments on the work programme for upcoming meetings. The Director Finance and Assets advised that, as the accounts regime had been pushed back, it was unlikely that the accounts would be ready for the July meeting and would need to be considered at the September meeting. An additional meeting in November would then be required to meet the requirements of the external audit.

He confirmed that in view of the delayed timetable, a similar situation was likely to recur in the next couple of years, and it might be worth considering cancelling the July meeting, and adding a November one instead. The Chair said he will work with Democratic Services to make the necessary changes.

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

The Chair asked Members to consider how to improve the way the Committee works, and make suggestions via email of any ways to ensure its smooth running and efficiency.

A Member commented that Grant Thornton PDFs are not searchable and asked that this be resolved.

17. LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION RESOLVED THAT

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

them exempt information as defined in paragraphs 3 & 7, Part (1) Schedule (12A) Local Government Act 1972, namely:

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

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

18. EXEMPT MINUTES

The exempt minutes of the meeting held on 12th January 2022 were approved unanimously as a true record of the exempt item.

19. DATE OF NEXT MEETING

Paul McCloskey
Chairman

Cheltenham Borough Council Audit Progress Report

Year ending 31 March 2022

July 2022



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit, Compliance and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

Progress at July 2022

Financial Statements Audit

We undertook our initial planning for the 2021/22 audit in February 2022, and interim audit in February and March and reported the results of our interim work in April. We expect to begin our work on your draft financial statements shortly.

A detailed audit plan, setting out our proposed approach to the audit of the Council's 2021/22 financial statements was presented to the Committee in April.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by November 2022.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. The Department for Levelling Up, Communities and Housing (DLUHC) states that they intend, subject to consultation, to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts.

Infrastructure Assets

An issue has emerged nationally regarding the accounting for infrastructure assets.

This will impact on all Local Authorities with material infrastructure assets such as highways, coastal defences etc.

In summary, there is a risk that where authorities have incurred expenditure on the replacement or enhancement of existing infrastructure assets, they may not readily be able to identify the original assets being replaced or enhanced.

This could result in an overstatement of both gross book values (GBV) and accumulated depreciation, and potentially also net book values (NBV) where assets lives have not been assessed regularly and on an appropriate basis.

CIPFA have described this as a complex and serious issue and have set up a group which will consider the issues arising, and how it might assist in their resolution.

Cheltenham Borough Council has infrastructure assets with a GBV of £14 million at 31 March 2021 (NBV of £10m). We are currently awaiting further CIPFA guidance on this matter but this will be an area of focus for our audit, which has been discussed with officers.

A link to the latest correspondence from CIPFA is provided below.

[Urgent Infrastructure Assets Task and Finish Group | CIPFA](#)

Progress at July 2022

Value for Money

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

The new approach is more complex, more involved and is planned to make more impact.

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

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor’s Annual Report is now no more than three months after the date of the opinion on the financial statements. We anticipate issuing our Auditor’s Annual Report in January 2023.

Other areas

Certification of claims and returns

We certify the Council’s annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 will be completed later in the year.

We also certify the Council’s annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Communities and Housing (“DLUCH”). This work will be completed early in 2023.

Meetings

We meet regularly with Finance Officers to discuss emerging developments and to ensure the audit process is smooth and effective.

Progress at July 2022 (cont.)

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2021/22 is the fourth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

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

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Further details are provided on page 8.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Compliance and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2021/22 financial statements and the Auditor's Annual Report on the Council's Value for Money arrangements.	April 2022	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2022	Complete
Audit Findings Report The Audit Findings Report will be reported to the November Audit Compliance and Governance Committee.	November 2022	Not yet due
Auditor's Report This includes the opinion on your financial statements.	November 2022	Not yet due
Auditor's Annual Report This Report communicates the key issues arising from our Value for Money work.	December 2022	Not yet due

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2020/21 Audit-related Deliverables	Planned Date	Status
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	28 February 2022	Complete
Pooling of housing capital receipts - certification This is the report we submit to the Department for Levelling Up, Communities and Housing (“DLUCH”). based upon the mandated agreed upon procedures we are required to perform.	4 February 2022	Complete
Certificate We have not yet closed the 2020/21 audit and issued the certificate. In order to finalise the audit, the procedures in respect of the Whole of Government accounts need to be completed. Central guidance to local authorities has not yet been issued. We expect the Council will remain below the threshold and no additional procedures will be required.	To be confirmed	

Audit fees

In 2017, PSAA awarded a contract of audit for Cheltenham Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £38,043 which was uplifted to £41,043 for 2021/22. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISAs which are relevant for the 2021/22 audit.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed in our Audit Plan in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures

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

The pandemic has led to considerable changes to how we all work and how we have carried out our audits over the last two years. Many local government bodies are exploring new ways of working to support its officers, through use of remote and hybrid working environments. We see the positive benefits this can bring to entities, and their workforce, both in providing more flexibility and reducing its environmental impact.

Whilst there are many efficiencies to remote working, having the ability to work together with officers face to face in conducting our audit work provides many advantages to the timely progression of the audit; both in minimising inefficiencies in gathering audit evidence, and in discussing key issues with officers and resolving and concluding outstanding queries.

As part of our planning for 2021/22, we have been engaging with Council officers to explore completing some elements of our work on-site over the summer. With Covid restrictions now lifted, this is the appropriate thing to do. We have been discussing this with PSAA and propose that where local government bodies continue to have a preference to undertake audits remotely, either fully or in part, that audit fees would be uplifted to reflect the inefficiencies that this would cause. For Cheltenham Borough Council, we estimate this uplift to be in the region of £5,000.

Our proposed fees for 2021/22 (alongside the fees for 2020/21) are shown overleaf.

Audit fees

	Actual Fee 2020/21	Proposed fee 2021/22
Council audit (scale fee)	£38,043	£41,043
Council – additional fees (including VFM fee)	£26,500	* £28,100
Total audit fees (excluding VAT)	£64,543	* £69,143

* Additional fees to be approved by PSAA

Assumptions

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

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

Relevant professional standards

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

Audit fees – detailed analysis 2021/22

	Council
Scale fee published by PSAA	£41,043
<i>Ongoing increases to scale fee first identified in 2019/20 and 2020/21:</i>	
Raising the bar/regulatory factors/ enhanced procedures	£4,500
Increased audit requirements of revised ISAs	£5,100
VFM	£9,000
<i>New issues for 2021/22:</i>	
Review of MRP – ongoing	£2,000
Infrastructure assets	£2,500
Remote working	£5,000
Total audit fees (excluding VAT)	£69,143



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Cheltenham Borough Council
Audit, Compliance & Governance Committee – 13 July 2022
Information Requests Annual Report 2021-22

Accountable member	Cabinet Member Customer & Regulatory Services, Councillor Martin Horwood
Accountable officer	Darren Knight, Executive Director - People & Change
Ward(s) affected	All
Significant Decision	No
Executive summary	<p>Cheltenham Borough Council is responsible for ensuring that it meets its legal requirements under the Freedom of Information Act (2000) and the Environmental Information Regulations (2004).</p> <p>This report details the Council's handling of information requests made during 2021-22. The council has responded to 92% of requests within the statutory 20 working day deadline.</p>
Recommendations	The Audit, Compliance and Governance Committee considers the progress report and makes comment on its content as necessary.

Financial implications	<p>There are no financial implications of this report</p> <p>Contact officer: Gemma Bell – Director of Finance & Assets, gemma.bell@cheltenham.gov.uk, 01242 264124</p>
Legal implications	<p>The legal implication of not dealing with requests within the legal timescale or not applying the exemptions in accordance with the relevant legislation is that the ICO can take action against the council and the results of that action are published.</p> <p>Contact officer legalservices@onelegal.org.uk, 01242 <u>272691</u></p>
HR implications (including learning and organisational development)	<p>There are no HR implications</p> <p>Contact officer: clare.jones@publicagroup.uk, 01242 264364</p>
Key risks	No significant risks identified – see attached risk register
Corporate and community plan Implications	None.
Environmental and climate change implications	None.
Property/Asset Implications	<p>There are no property or asset implications of this report</p> <p>Contact officer: Gemma Bell – Director of Finance & Assets, gemma.bell@cheltenham.gov.uk, 01242 264124</p>

1. Background

- 1.1** The Council is committed to Freedom of Information as an essential part of the openness and transparency of local government.
- 1.2** The Council proactively makes available as much information as possible available on its website and follows the ICOs model publication scheme. Where themes of FOI requests are identified, information is published on the council's website to reduce further potential requests for information. The Council publishes the information released in response to Freedom of Information requests in its disclosure log.
- 1.3** Requests are answered by the business area responsible for the subject matter of the request, the information is then quality checked by the information officer before being sent to the requestor. Response times are monitored and managed by the information officer. Reminders are issued to officers before the deadline and any overdue responses are repeatedly followed up.
- 1.4** The responsibility for providing the information lies with the Service Manager. The Information Officer is available to guide and support Service Areas when responding to requests, particularly in the application of exemptions. Either the Service area or the Information Officer can request additional support from One Legal.
- 1.5** The council is in the process of introducing a new digital platform, the management of information requests will move from Excel to this platform. This will improve the customer journey and streamline the internal processes.

2. Statistical detail of request handling 2021-22

- 2.1** The types of information that are formally treated as FOI or EIR requests and that are reflected in the following statistics are:
 - Those submitted directly or passed to the Council's Information Officer; and
 - Requests for information that do not reflect day-to-day business because they are usually quite voluminous or involve the collation of information from many Council services; and/or
 - The requester has asked that their request be dealt with under the FOI Act or the EIRs.

2.2 Number of requests received

581 requests for information were received in financial year 2021-22. 546 requests were handled under FOIA and 30 were handled under the EIRs, there were also 5 hybrid cases where the request crossed FOI and EIR.

2.3 2021-22 information requests by Service Area

Service Area	Number of Requests
Revenues and Benefits	73
Multiple Service Areas	69
Environmental Health	62
ICT (Publica)	40
Planning	37
CBH	38
Enforcement	29
Property and Assets	25
Clean Green and Ubico	30
Licensing	19
Director of Environment	18
HR (Publica)	18
Strategy and Engagement	18
Cemetery and Crematorium	13
Finance	11
Democratic Services	10
Housing Services	10
Customer and Support Services	9
Parking	9
Director Finance and Assets	8
Green Space	8
Neighbourhood Team	5
Townscape	5
Corporate Governance	3
Marketing Cheltenham	3
Chief Executive	2
Director of Place and Growth	2
Elections	2
Procurement	2
Counter Fraud	1
Director People and Change	1
Health and Safety	1
Total	581

2.4 2021-22 Response Timeframe by Service Area

Service Area	Number of Requests Responded to*	Number responded to in 20 days	% On time*	Max Response Time (days)
Planning	36	22	61%	78
Multiple Service Areas	66	55	83%	60
Townscape	5	4	80%	41
Director of Environment	18	17	94%	37
Environmental Health	62	60	97%	28
Cemetery and Crematorium	13	11	85%	26
Finance	11	10	91%	26
Green Space	8	7	88%	26
CBH	37	35	95%	25
Director of Place and Growth	2	1	50%	25
Clean Green and Ubico	30	28	93%	24
Corporate Governance	3	2	67%	22
Procurement	2	1	50%	22
Property and Assets	24	21	88%	22
Revenues and Benefits	71	70	99%	21
Enforcement	29	29	100%	20
ICT (Publica)	39	39	100%	20
Marketing Cheltenham	3	3	100%	20
Strategy and Engagement	18	18	100%	20
Democratic Services	10	10	100%	19
Housing Services	10	10	100%	19
HR (Publica)	18	18	100%	18
Licensing	19	19	100%	18
Chief Executive	2	2	100%	17
Customer and Support Services	9	9	100%	17
Neighbourhood Team	5	5	100%	16
Parking	9	9	100%	16
Director Finance and Assets	8	8	100%	13
Elections	2	2	100%	12
Director People and Change	1	1	100%	10
Counter Fraud	1	1	100%	1
Total	571	527	92%	

* Information requests that were withdrawn, or not proceeded with following requests for clarification, have not been included in the performance calculation.

2.5 Internal reviews and Appeals to the ICO

Where an applicant is dissatisfied with the way in which the Council has dealt with a request for information they can request an internal review. Of the requests received, only 9 (3%) resulted in an internal review being requested. All requests for review received in 2021-22 were responded to within the review timeframes.

If an applicant is unhappy with the outcome of our internal review, an appeal can be made to the

Information Commissioner for a decision on whether we have appropriately dealt with the request and requirement for review.

During 2020-21 one case was decided on by the ICO. The case in question had been incorrectly handled under the FOIA rather than the EIRs, meaning the requested information was withheld under the incorrect exemptions. Once this was rectified and the information withheld under the correct EIR exceptions, the ICO took no further action.

3. Performance management – monitoring and review

3.1 The council has responded to 92% of requests within the statutory 20 working day deadline. This is a 3% positive increase on the previous year.

3.2 Information request performance is now monitored and reviewed via two Key Performance Indicators (KPI) targets in Clearview, these are:

% change in FOI requests received when compared with the previous year

The percentage change in the total number of FOI requests received compared with the total number received in the previous year – this indicator gives an indication of workload. This KPI is reported annually.

Period	KPI data
Annual 2021/22	The council received 5% less request than in the previous year

% - FOI requests responded to within timescale

The number of FOI requests responded to within the 20 day timescale set by the ICO, expressed as a percentage of total FOI requests received. This KPI is reported quarterly.

Period	Target	Actual
Quarter 1 2021/22	80%	92%
Quarter 2 2021/22	80%	95%
Quarter 3 2021/22	80%	89%
Quarter 4 2021/22	80%	90%

Report author	Beth Cordingley (Maternity Leave) Contact officer: Judy Hibbert, judy.hibbert@cheltenham.gov.uk, 01242 264113
Appendices	1. Risk Assessment

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the exemptions are not utilised correctly it may lead to information being inadvertently published in the public domain, which could lead to reputational damage.	Judy Hibbert	22/6/21	1	1	1	Accept				
2	If there is poor request handling it may result in ICO Interventions and ICO decision notices being issued, which could lead to reputational damage	Judy Hibbert	22/6/21	1	1	1	Accept				
3	If personal information is not correctly redacted it may lead to a data incident.	Judy Hibbert	22/6/21	1	1	1	Accept				
Explanatory notes Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical) Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability) Control - Either: Reduce / Accept / Transfer to 3rd party / Close											

Cheltenham Borough Council

Audit, Compliance and Governance Committee – 13th July 2022

Annual Internal Audit Opinion 2021/22

Accountable member	Councillor Peter Jeffries, Cabinet Member for Finance and Assets
Accountable officer	Paul Jones, Executive Director of Finance, Assets and Regeneration (Section 151 Officer)
Ward(s) affected	All
Key/Significant Decision	No
Executive summary	<p>The Annual Internal Audit Opinion, Appendix 1, gives the opinion, of the Head of Internal Audit (SWAP Assistant Director) and, therefore, the officer responsible for the delivery of the internal audit function, which includes assessing the adequacy and effectiveness of internal control within Cheltenham Borough Council. The opinion is based on the adequacy of control, noted from a selection of risk-based audits carried out during the year and, other advice work on control systems including the proactive work of the service as it supports the control arrangements within change projects. The results of any external inspections also inform the opinion.</p> <p>Throughout the year we have measured the degree of control assurance within the systems or elements of systems we have audited or supported by way of control advice. Overall, the opinion is that a 'Low Substantial' assurance level can be given for the controls in place, within the areas where audit activity has taken place, to safeguard these systems which in turn support the delivery of the Council's overall business objectives.</p> <p>Where operational control issues were raised, the risks associated with the control issues raised, in the audit reports, are being actively managed by the responsible Management.</p> <p>Due to the information contained in The Internal Audit Annual Opinion, it is deemed unnecessary to submit a separate quarterly monitoring report. Instead, we have produced a condensed version of the usual report which contains a summary of the work concluded since the last meeting of this Committee.</p>
Recommendations	The Audit, Compliance and Governance Committee considers the report and makes comment on its content as necessary
Financial implications	<p>There are no financial implications arising from the report</p> <p>Contact officer: Gemma Bell, Director of Finance and Assets (Deputy Section 151 Officer) Gemma.Bell@cheltenham.gov.uk</p>
Legal implications	<p>None specific arising from the report recommendation</p> <p>Contact officer: One Legal legal.services@tewkesbury.gov.uk</p>

HR implications (including learning and organisational development)	<p>The HR implications are as detailed in the Internal Audit Plan. HR will work closely with Internal Audit in respect of the areas of coverage as detailed in Financial Management and People and Asset Management in order to meet the actions required.</p> <p>Contact officer: Julie McCarthy, HR Manager – Operations Julie.McCarthy@publicagroup.uk</p>
Key risks	<p>That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.</p>
Corporate and community plan Implications	<p>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Chartered Institute of Internal Auditing UK and Ireland).</p> <p>Therefore; the internal audit activity impacts on corporate and community plans.</p>
Environmental and climate change implications	<p>Relevant to particular audit assignments and will be identified within individual reports.</p>
Property/Asset Implications	<p>There are no specific Property/Asset Implications arising from the content of the report</p> <p>Contact officer: Gemma Bell, Director of Finance and Assets (Deputy Section 151 Officer) Gemma.Bell@cheltenham.gov.uk, 07341 780601</p>

1. Background

- 1.1** The report outlines how the Internal Audit function has supported the Council in meeting the requirements of the Accounts and Audit (England) Regulations 2015. These state that: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

“A relevant authority must conduct, each financial year, a review of the effectiveness of the system of internal control.”

Under the CIPFA Public Sector Internal Audit Standards the Chief Audit Executive must deliver an Annual Internal Audit Opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. The annual report must incorporate: □ the opinion; □ a summary of the work that supports the opinion; and □ a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2. Reasons for recommendations

- 2.1** 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, the Council’s internal audit service in 2021/22, is one of the control assurances available to the Audit, Compliance and Governance Committee, the Senior Leadership Team, and supports the work of the external auditor.

3. Annual Internal Audit Opinion

- 3.1** ‘Low Substantial’ Assurance can be given that there is a generally sound system of internal control, designed to meet the organisation’s objectives, and that controls are generally being applied consistently. Some weakness in the design and/or inconsistent application of controls have been identified, actions agreed with officers and improvement plans agreed.
- 3.2** Officers from SWAP will be in attendance at the Committee meeting and will be available to address Members’ questions.

Report author	Lucy Cater, Assistant Director, SWAP Internal Audit Services lucy.cater@swapaudit.co.uk 01285 623340
Appendices	1. SWAP Internal Audit Annual Opinion 2021/22 2. Audit Work Completed since April 2022

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Cheltenham Borough Council

Internal Audit Annual Opinion Report 2021/22

Internal Audit Annual Opinion – 2021/22: ‘At a Glance’

Annual 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.

The Headlines

	No Significant Risks were identified during the year.
	24 reviews delivered as part of the 2021/22 Internal Audit Plan. Includes assurance, advisory and follow up reviews. 4 reviews are at draft report stage and 2 are in progress. Furthermore we continue to support the Council with ongoing projects and attend corporate meetings.
	A number of agreed actions from 2020/21 remain outstanding, along with actions agreed during 2021/22 (some agreed actions have had time extensions due to on-going worldwide events). We will continue to follow-up all agreed actions.

Internal Audit Assurance Opinions 2021/22

Substantial	9
Reasonable	8
Limited	0
No	0

Internal Audit Agreed Actions 2021/22

Priority 1	1
Priority 2	15
Priority 3	6
Total	22

Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit, Compliance and Governance Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

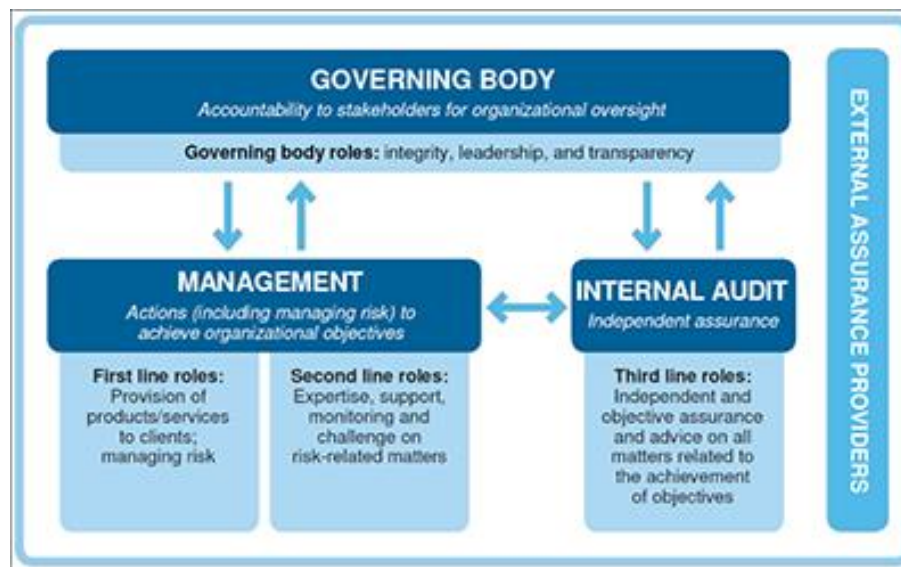


Background

The Internal Audit service Cheltenham Borough Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2021/22 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



Internal Audit Opinion 2021/22

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2021/22 audit work for Cheltenham Borough Council, enhanced by the work of external agencies, I am able to offer a **Low Substantial Assurance** opinion in respect of the areas reviewed during the year.

Just as in more normal times, audit work has been planned to ensure that sufficient assurance will be available to inform the annual opinion as well as supporting the key priorities that underpin CBC's Corporate Plan:

- Making Cheltenham the cyber capital of the UK
- Continuing the revitalisation and improvement of our vibrant town centre and public spaces
- Achieving a cleaner and greener sustainable environment for residents and visitors
- Increasing the supply of housing and investing to build resilient communities
- Delivering services to meet the needs of our residents and communities

Our audit work supports each of these priorities, whether as an assurance audit, an advisory piece of work, ad hoc requests or support to the council.

The professional requirements of PSIAS have remained unchanged and in line with these, audit priorities have been agreed throughout the year and this work supports the annual opinion.

The additional work performed to carry out assurance work on risks associated with the continued pandemic were:

- *Audit of Covid grants*

Alongside direct internal audit work, the HIA can also place reliance on:

- *Work and investigations undertaken by the Council's Counter Fraud and Enforcement Unit*
- *Updates and PSN certification undertaken by the Council's ICT Audit and Compliance Manager*
- *Review undertaken by Head of Performance, Projects and Risk on Managers' Assurance Statements 2021/22*

As we are working to a more agile / rolling audit plan the following audits have been agreed with Management to be carried forward to 2022/23.

- *Human Resources – Following the implementation of a new recruitment process*
- *Procurement – following the adoption of the updated Procurement and Commissioning Strategy*

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- *Business Continuity*
- *Continuous assurance*
- *Key financial audits*
- *Information governance and security*
- *Key front line services*

Throughout another challenging year, we have tried to ensure a balance between providing direct assistance to the Council and maintaining a continuum of audit work. We are pleased to report we have achieved this, although it must be recognised coverage is not comparable to previous or 'normal' years.

Summary of Audit Work 2021/22

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that relate to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit, Compliance and Governance Committee attention.

We have not identified any significant corporate risks in the areas we have audited this year, but audit reviews completed during the year identified weaknesses in process / systems that should be addressed. Of the fifteen priority 2 agreed actions made during the year, 7 have been actioned and the remaining 8 are not due to be implemented until 2022/23. The priority 1 action is in respect of Emergency Planning and key roles, including DEPLO support being appointed to the team. We are aware that good progress is being made in recruiting to the emergency planning team but the agreed action has not been fully implemented at this time, we will continue to follow-up.

We have also continued to follow-up all agreed actions made in previous years audits. Due to on-going worldwide events that continue to affect the Council e.g. Covid and the War in Ukraine and officers supporting these more critical services, some agreed actions haven't been implemented by the target date and have been deferred. Progress is being made on implementation of these actions and we will continue to follow them up.

All audits, and progress against agreed actions, have been reported throughout 2021/22 to the Audit, Compliance and Governance Committee.

Summary of Audit Work 2021/22

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

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.

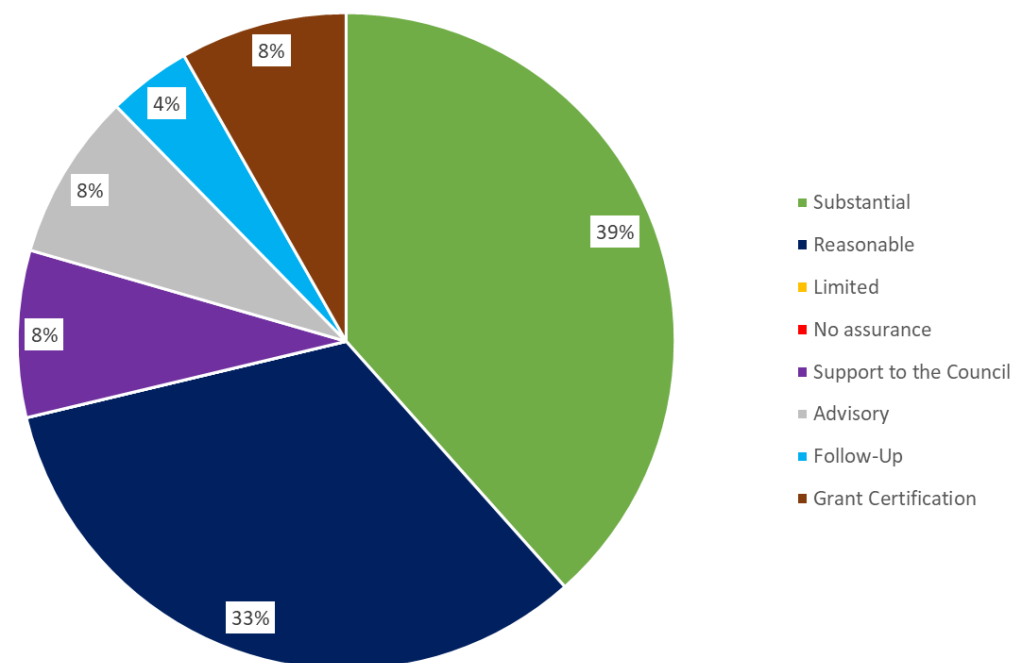


Summary of Audit Opinion

The following two charts summarise the audit opinions and audit work, and involvement, during 2021/22

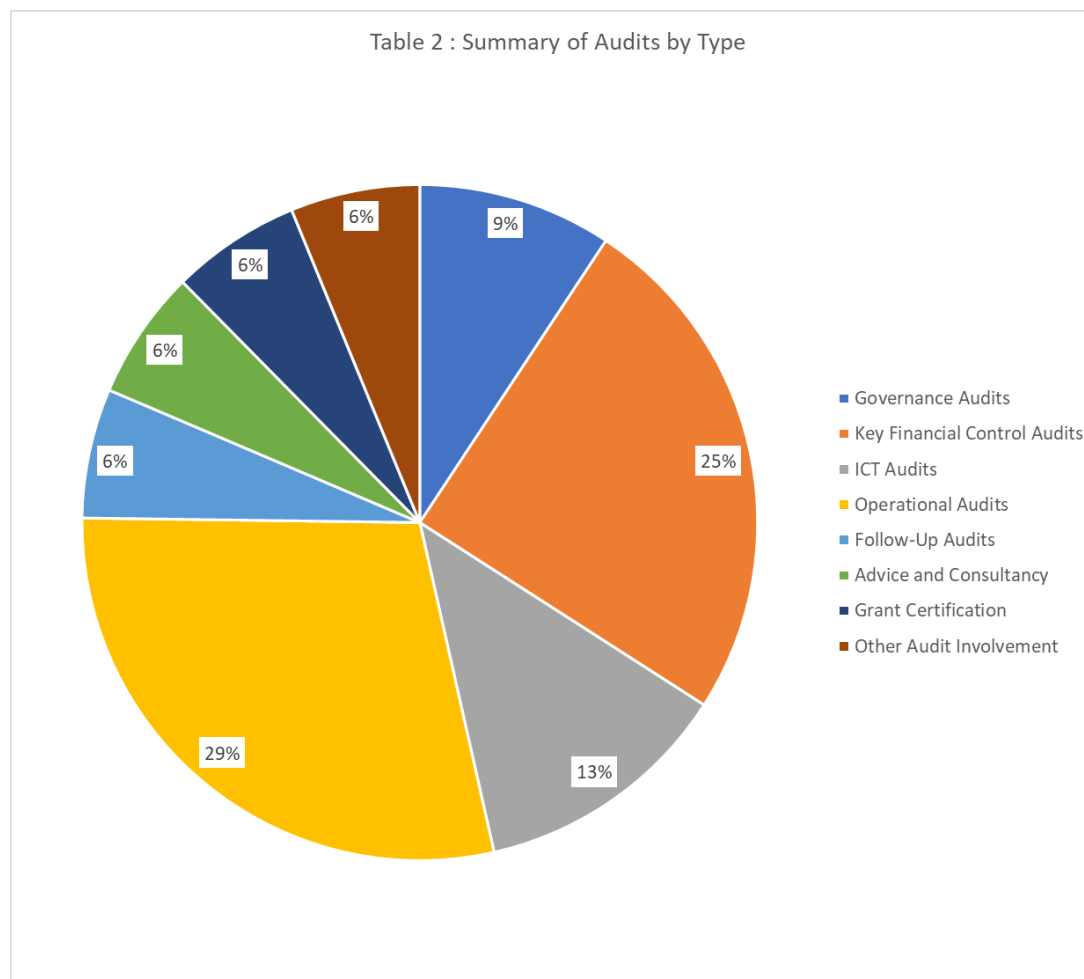
Table 1 indicates the spread of assurance opinions across our work during the past year.

Table 1 : Summary of Audit Opinions



Summary of Audit Work 2021/22

Table 2 indicates the audit work by type.



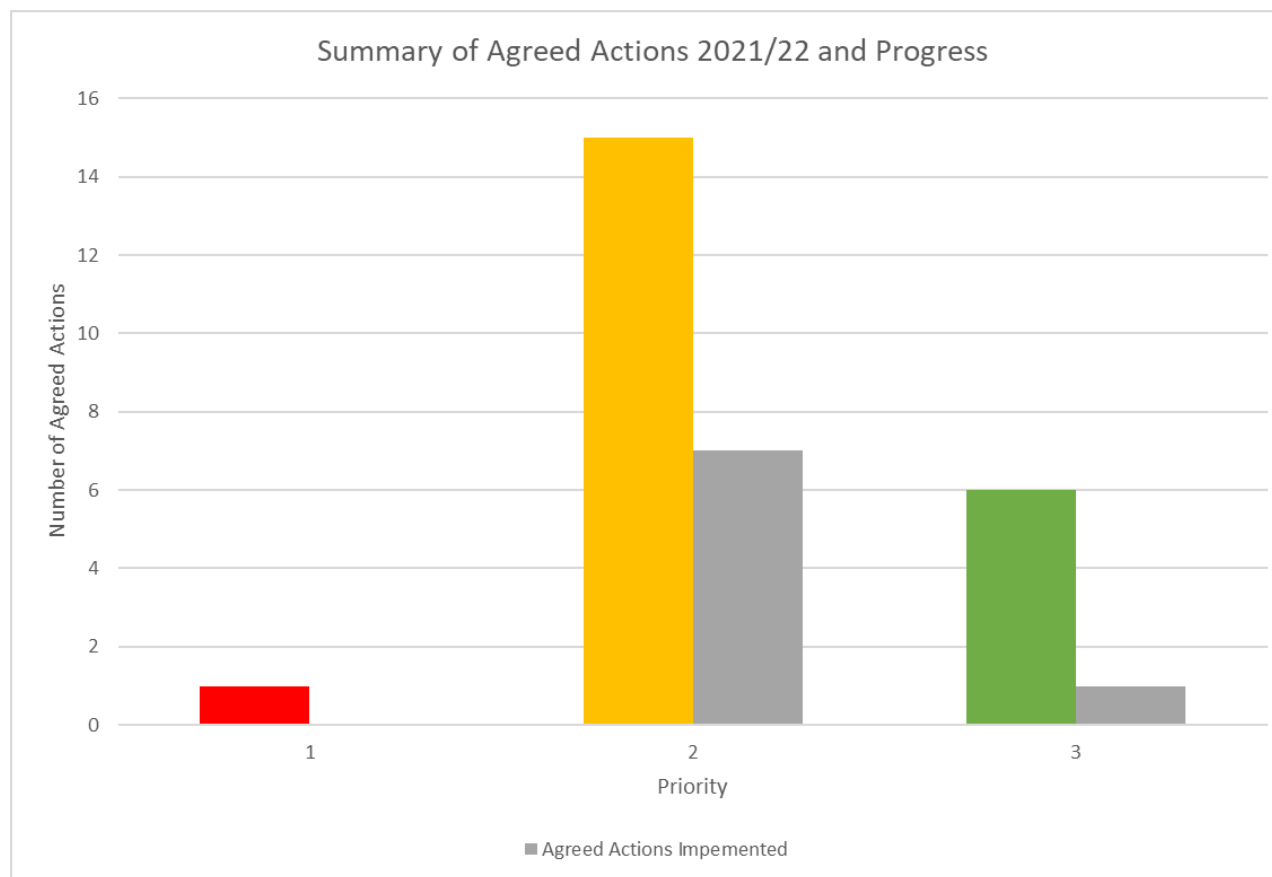
Summary of Audit Work 2021/22

SWAP Performance - Summary of Audit Actions by Priority

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



Priority Actions



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

Corporate Strategies

We have reviewed a number of corporate strategies and advised on required amendments, when necessary.

Corporate Groups

During the year we have attended a number of corporate groups to act as a 'critical friend'.

Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN). This data is useful for services to develop and improve their own systems and processes so that business objectives can be achieved with continually decreasing resources.

News Roundup

We produce a fortnightly newsletter that provides information on topical areas of interest for public sector bodies.

Plan Performance 2021/22

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for CBC for the 2021/22 year are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Final, Complete, Draft and Discussion 90%	88%
In Progress/Review	6%
Carried Forward	6%
<u>Customer Satisfaction Questionnaire</u>	
Feedback 95%	100%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance of PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want

to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.



Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Opinion	No of Actions
2021/22 Finalised and Completed Reviews				
Key Financial Control	Payroll (2020/21)	Final Report	Low Substantial	0
ICT	Systems Admin	Final Report	Medium Reasonable	2
ICT	Data Recovery Capabilities	Final Report	Low Substantial	1
Governance	Governance of Programmes and Projects	Final Report	High Reasonable	2
Follow-Up	Planning Enforcement	Final Report	Medium Reasonable	3
Operational	Procurement (Contract Management and Monitoring)	Final Report	Medium Substantial	1
Operational	Emergency Planning	Final Report	Low Reasonable	4
Operational	Fire Risk Assessments	Final Report	Low Reasonable	1
Governance	Governance and Monitoring of Strategic Commissioned Partnerships	Final Report	High Reasonable	3
Key Financial Control	Council Tax and National Non-Domestic Rates	Final Report	Medium Substantial	0
Key Financial Control	Housing Benefits and Council Tax Support	Final Report	Medium Substantial	0
Key Financial Control	Treasury Management and Bank Reconciliation	Final Report	High Substantial	0
Key Financial Control	Accounts Payable	Final Report	High Substantial	0
Key Financial Control	Main Accounting and Accounts Receivable	Final Report	Low Reasonable	2
Key Financial Control	Payroll (2021/22)	Final Report	High Substantial	0

Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Opinion	No of Actions
Operational	Business Grant Funding – Post Payment Assurance	Final Report	High Substantial	0
ICT	Accounts with Administrative Privileges	Final Report	High Reasonable	3
Grant Certification	Disabled Facilities Grants	Complete	Grant Certification	N/A
Grant Certification	Restart Grants	Complete	Grant Certification	N/A
Follow-Up	Follow-Up of All Agreed Actions	Completed	Follow-Up	N/A
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	Completed	Support to the Council	N/A
Other Audit Involvement	Management of the IA Function and Client Support	Completed	Support to the Council	N/A

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Audit Type	Audit Area	Status	Comment
Draft Reports			
ICT	Vulnerability Management	Draft Report	
Operational	Procurement Cards	Draft Report	
Operational	Election Expenses – Treatment of VAT	Draft Report	
Governance	Risk Management	Draft Report	

Summary of Internal Audit Work 2021/22

Audit Type	Audit Area	Status	Comment
In Progress			
Operational	Publica Performance Information	In Progress	
Operational	Mechanism for Charging Council	In progress	
Ongoing Audit Support / Other Involvement			
Advisory	Procurement and Commissioning Group		Support complete for 2021/22, will continue into 2022/23
Advisory	Strategy Review – Climate Change Investment	Complete	
Advisory	Strategy Review – Communications	Complete	
Audits Carried Forward			
Governance	Human Resources	Carried Forward	Rolling Audit. Planned for 2022/23 following the introduction of a new recruitment process
Operational	Other Support Service provided by Publica Procurement (Compliance with Strategy)	Carried Forward	Rolling Audit. Planned for 2022/23 following the adoption of the Updated Procurement and Commissioning Strategy

Cheltenham Borough Council

Report of Internal Audit Activity

Summary of Work Completed since April 2022

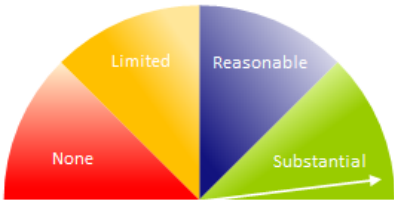
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The following information provides a brief summary of each audit review finalised since the last Committee update





Accounts Payable – Final Audit Report – June 2022

Audit Objective

To ensure an effective control framework is in place for the Accounts Payable / Creditor's function

Assurance Opinion		Number of Agreed Actions		Risks Reviewed	Assessment
	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.	Priority	Number	Fraudulent, invalid, or late payments are made resulting in financial loss and/or reputational damage.	Low
		Priority 1			
		Priority 2			
		Priority 3			
		Total	0		

Key Findings

	Sound processes and controls are in place which ensure creditors are paid accurately, and in accordance with Financial Rules and/or payment terms.
	During 2021/22 a total of 6,666 suppliers, many with multiple payments each week were paid covering the 4 partner councils, Publica and Cheltenham Borough Homes. 2,355 of these suppliers were for the Council. 15 payments were identified as duplicate payments. Good recovery actions are in place, most payments have been recovered and actions are ongoing to recover any outstanding payments.
	Sundry Supplier codes are used to process one off payments. This means that full company checks are not completed which has the potential of increased fraudulent payments. We were advised Companies House and VAT checks are completed where these details are provided. Evidence confirmed officers are challenged if payment requests are made to pay the same supplier on a second occasion.
	Previous year's agreed actions have all been implemented.

Audit Scope

Discussions were held with the Accounts Payable Team Leader to confirm working practices.

Our quarterly testing of potential duplicate payments, and use of the sundry supplier codes (used when a creditor is not set up on the system) has been included to inform the effectiveness of the controls in place. Where duplicate payments were made, recovery actions were examined to ensure reimbursements were received.

Agreed actions from the 2020/21 AP audit have been followed up.

The test period covered 2020/21 and 2021/22. Clients reviewed were G1, G2, G3, G4, G5 and P8.

Conclusion

Our assurance opinion is based on the continuous audit work we have undertaken during the year (which have been reported in our quarterly progress reports), progress on the implementation of agreed actions, and working procedures/practices. We have also considered the increased workload the team have faced processing the numerous business grant payments.

In summary, we confirm an effective control environment is operating.

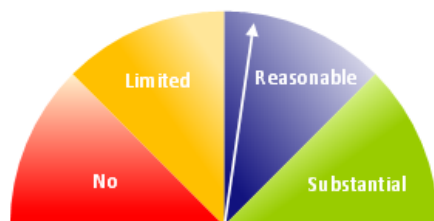
Testing / Findings	Q1 (Aug 21)	Q2 (Nov 21)	Q3 (Feb 22)	Q4 (Apr 22)
Duplicate Payments				
Number of Duplicate Payments identified (paid twice by Council / Publica / CBH)	6	1	2	2
Value of Duplicate Payments identified (paid twice by Council / Publica / CBH)	£3,614.64	£150.00	£2273.60	£3712.80
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	0	5	1
Value of Payments outstanding from previous quarter	n/a	£3,614.64	£1689.84	£150.00
Number of Duplicate Payments identified (paid by Council and Publica or Council and CBH)	3	0	1	0
Value of Duplicate Payments identified (paid by Council and Publica or Council and CBH)	£2,116.18	£0	£388.12	£0
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	2	1	1
Value of Payments outstanding from previous quarter	n/a	£1,112.54	£0	£0
Sundry Suppliers				
Number of supplier(s) appearing more than once under the Sundry Supplier Record	1	1	0	1
Number of payments made to supplier(s) who appear more than once under the Sundry Supplier Record	2	2	0	2
Supplier record created on BW	0	0	0	0

Accounts Receivable – Final Audit Report – June 2022

Audit Objective

To provide assurance debts are managed and written off in accordance with financial rules.

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 Agreed Actions

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

Risks Reviewed

The Council suffers financial loss as a result of not being subject to appropriate debt management and write off procedures.

Assessment

Low

Key Findings



There is no separation of duties when actioning a write off in Business World On! (BWO). Some administrative processes are also currently being reviewed by the AR team. Actions have been agreed with Publica.



Some of the budget managers we spoke to would benefit from process training as they were unclear on responsibilities despite monthly aged debt reports been received. Publica AR will provide guidance to ensure all budget holders are aware of their debt management, recovery and write off responsibilities.

Audit Scope

A review of debt management, recovery and write off processes in place on behalf of CBC was undertaken.

Discussions were held with the Publica Accounts Receivable Team Leader and a selection of budget managers. Sample testing was undertaken on aged debts and write offs during the period April 2020 – December 2021.

Two actions agreed in our 2019/20 audit were also followed up.

Additional Information

At the time of audit work we were advised Publica's finance processes were being reviewed. We examined the draft procedure/guidance documentation and provided control advice where applicable. Effective debt recovery processes rely not only on the AR team, but also on service managers ensuring they actively review their outstanding debt and instruct AR when recovery actions need to be escalated. Therefore, it is important that training and guidance is provided and for service managers to actively seek advice from the AR team.

Previously agreed actions are not fully implemented, but these will be actioned in the current review. We will follow up on all actions in due course.

Privileged Account Management – Final Audit Report – May 2022

Audit Objective

To gain assurance the processes and controls surrounding the management of privileged accounts are working effectively to mitigate risks.

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 Agreed Actions

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

Risks Reviewed

Failure to control Privileged User Accounts increases exposure to malicious attack, potentially enabling threat actors to gain elevated privileged access to networks, systems, and applications. This creates a high risk of misuse, fraudulent activity or a security incident leading to legal, financial, and reputational damage.

Assessment

Low

Key Findings



Privileged Account Management is a complex but critical process. It requires software solutions with good functionality and access controls alongside robust processes to be effective.

We did not identify any significant concerns within the scope of this audit; however, management have agreed to consider some minor areas of improvement that should enhance security and governance in this area.



We can confirm agreed actions from the 2020/21 Systems Administration audit have been implemented.

Audit Scope

The areas reviewed as part of this audit included;

- Controls surrounding identification and management of user accounts providing privileged system access.
- Control and review of access to privileged user accounts.
- Monitoring and review of privileged user account usage.
- Identified related risks and exceptions to Policy and review and follow up of previous, related audit actions.

Discussions were held with the Infrastructure Manager and ICT Audit and Compliance Manager and evidence viewed or requested where appropriate.

Additional Information

Whilst no significant areas of concern have been identified, it is important all ICT personnel continue to monitor risks surrounding Privileged Account Management, including the identification and review of any specific exceptions to the processes or technical standards, that may exist or arise in the future. Failure to do so, will potentially leave significant gaps in the controls and increase exposure to misuse or compromise.

Audit, Compliance and Governance Committee 2022 work plan

Item	Author	Received
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27 September 2022 (report deadline, 5.00pm, Friday 16 September)		
Audit Findings Report - ISA260 (for the previous year)	Grant Thornton	
Internal audit monitoring report	Internal Audit	
Counter Fraud update and future work provision	Counter Fraud Unit	
CFEU Fraud Risk Strategy and Update	Counter Fraud Unit	
Updated Counter Fraud and Anti-Corruption Policy	Counter Fraud Unit	
Auditing Standards – communicating with the Audit Committee (<i>pushed back from July</i>)	Paul Jones/Chair	
Statement of Accounts (previous year) (inc. letter of representation) (<i>pushed back from July</i>)	Finance Team	
Cyber Security Business Continuity Arrangements (inc. review of databases and data sources). Exempt report (<i>pushed back from April & July</i>)	Darren Knight Mike Redman	
Annual Review of Risk Management Policy (<i>pushed back from April & July</i>)	Ann Wolstencroft	

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

Audit, Compliance and Governance Committee 2022 work plan

Item	Author	Received
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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	
September		
Audit Findings Report - ISA260 (for the previous year)	Grant Thornton	
Internal audit monitoring report	Internal Audit	
Counter Fraud update and future work provision	Counter Fraud Unit	