

Cheltenham Borough Council Audit, Compliance and Governance Committee

Meeting date: 24 January 2023

Meeting time: 6.00 pm

Meeting venue: Council Chamber - Municipal Offices

Membership:

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

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Agenda

1. Apologies

2. Declarations of interest

3. Minutes of the last meeting (Pages 5 - 10)

To approve the minutes of the extraordinary meeting held on 23 November 2022.

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. Internal Audit Monitoring Report (Pages 11 - 34)

Lucy Cater, Assistant Director, SWAP Internal Audit Services

6. Work Programme (Pages 35 - 36)

To include a discussion around governance, led by the Chair

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

8. LOCAL GOVERNMENT ACT 1972 - EXEMPT INFORMATION

The committee is recommended to approve the following resolution:-

“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 paragraph ?, 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.

9. IT Security Update (Pages 37 - 52)

Report of John Chorlton, Chief Technology Officer to be noted, following debate by Members in exempt session.

10. Date of next meeting

Extraordinary meeting: Thursday 9 March, 6.00pm



Cheltenham Borough Council

Audit, Compliance and Governance

Committee

Minutes

Meeting date: 23 November 2022

Meeting time: 6.00 pm - 6.50 pm

In attendance:

Councillors:

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

Also in attendance:

Paul Jones (Executive Director of Finance, Assets and Regeneration) and Gemma Bell (Director of Finance and Assets and Deputy S151 Officer), Alex Walling (Grant Thornton)

1 Apologies

Apologies were received from Councillor Bamford.

2 Declarations of interest

There were none.

3 Minutes of the last meeting

The minutes of the meeting held on 27 September 2022 were approved and signed as a true record.

4 Public and Member Questions

There were none.

5 Audit Findings for Cheltenham Borough Council, year ended 31 March 2022

Alex Walling [AW] of Grant Thornton advised Members that this was an interim Audit Findings Report – work was undertaken remotely in August and September, to complete in late December/January, with the full report presented at the next meeting. She highlighted the following:

- the findings are summarised on Page 5-24, with a small number of adjustments to financial statements already identified - in particular a small adjustment of £334k to the council's income and expenditure account – but the work is substantially complete, and nothing to suggest the need to modify the audit opinion in any way;
- outstanding areas include sample testing in some areas; the pensions letter from the pensions auditor; completion of work on group accounts (still to be received); work on the council's land, buildings, investment property and council dwellings valuation; disclosure areas in the accounts, required under the code of audit practice;
- Grant Thornton is still waiting to learn what is happening around the statutory override and infrastructure assets, with training next week about the anticipated national messages, and further discussions with management in the new year about the implications of this. They are also waiting to receive management's letter of representation and review the final set out accounts;
- to date, the narrative report and annual governance report and statement have been concluded and published with the financial statement, and in accordance with what is expected.

AW then ran through the value-for-money work, which she summarised as follows:

- the work is not complete and Grant Thornton therefore is not in a position to issue the Auditor's Annual Report - in accordance with National Audit Office expectations, which allows three months' leeway in view of the backlog in local government audit and the implications of Covid. However, no risks were identified during the planning stage, and there is no evidence of any emerging risks having occurred;
- GT does not intend to exercise any of the statutory duties open to it, and intends to certify the completion of the audit on completion of the work round value for money and government accounts. The certificate for last year is still open because of the infrastructure assets issue;
- other than delays in receiving group accounts, GT has not encountered any significant difficulties during the audit;
- regarding materiality levels, based on draft accounts these remain the same as in the audit plan presented in April. Materiality for group statements is £1.5m, and for the council – which has to be set at a lower level - £1.483m;
- regarding significant risks, as for all public and commercial entities, one is management override of controls – the ability of senior officers to potentially manipulate the accounts by overriding the controls that are in place. Work in that area is to look at journals, and no issues have been identified to date;
- a second significant risk is improper revenue recognition – putting income into accounts that shouldn't be there – but GT rebutted that risk at the planning stage and continues to do so. This is not a major risk to the council;
- the council undertook an extensive revaluation exercise of its land and buildings last year but valued quite a small number of assets this year. There is a risk that what the assets are materially worth is different from their value on the balance sheets. GT finance team has pulled together an assessment of that particular movement, to make sure the valuation is where it is expected to be. There are a small number of queries awaiting a response from the valuer, but this is not considered to be unusual;
- GT is currently undertaking a lot of work around the valuation of council dwellings, which shows as large amounts on the balance sheet, and assessing the impact of a small number of queries;

- the final significant risk is around pension fund liability, deemed a significant risk because it is a huge estimate in local government accounts. GT is currently awaiting assurances from the pension fund auditor, but to date, there are no issues in that area;
- GT is awaiting information from the key component auditors – Bishop Fleming for CBH and Hazelwood's for Gloucestershire Airport;
- infrastructure assets show as a material amount in the accounts and GT is waiting to see what statutory override comes out with to assess what work will be needed on the back of that. This is common for many local authorities;
- in last year's Audit Findings Report, the potential issue round minimum revenue provision was raised, and it was suggested that the council revisit its calculation to see if it is in line with guidance. GT is looking at that to see whether they consider it to be correct or not in this year's accounts;
- there is nothing to report under independence and ethics but GT is required by auditing standards to bring this to the council's attention;
- the prior year recommendations are set out with an assessment of whether these have been implemented or not – some are outstanding, to be followed up next year;
- under audit adjustments to date, many are narrative amendments at this stage, which don't actually affect the numbers, but are brought to the council's attention for information at this stage;
- finally, regarding audit fees, a lot are to be confirmed at present, and difficult to assess until the audit is concluded. These will be discussed with the finance team and brought back to the committee. They also have to be approved by Public Sector Audit Appointments Ltd.

One Member thanked AW for the interesting report - although it was a shame that some data was still required to complete the audit – and asked what was the risk of there being 17 journals without identification. AW explained that the risk of a journal without any explanation was that it could be hiding something untoward and pushed through the system without being looked at too closely. These used to be identified manually, but software is now used to call them out – they can then be looked at individually and discussed with officers, and are as much a fraud risk as a management override.

A Member asked whether it would be possible for the council's software to prevent people from uploading journals without explanations. GB said that it was possible in theory, but with many thousands of journals raised each year, the risk is currently managed by business partners across different cost centres checking them as part of the monthly informal monitoring with budget holders and quarterly reports to Cabinet. In response to a further question about rounding errors accumulating from floating points and ultimately masking much bigger errors, GB said that journals are usually raised through spreadsheet uploads and would be expected to balance - though the system sometimes compensates for a rounding error. GB has had conversations with Publica and other councils looking at the wider capability of the system, and can pick this up as part of the review.

Regarding the council's interpretation of MRP for capital receipts and how money coming in as capital appears to be being used to meet repayments, debt and borrowing, PJ said that the council and Grant Thornton spend a great deal of time and effort on the issue, and have numerous meetings with other interested parties, and concluded that CBC was one of hundreds of local authorities applying this. He believed that the government recognised the ambiguity in the guidance on regulation and what it was doing to clarify the situation, but noted that Grant Thornton made a clear recommendation for the council to review its policy – which he considered had done by making changes to what was put forward last year. He said in its simplest form, MRP is the method whereby the council repays its debts; guidance

talks about prudent provision and there are regulations surrounding that, but whether the council is circumventing rules by using capital receipts in lieu of MRP is debatable, with the council leaning towards one view and GT leaning towards the other. He said the government has gone out to consultation, and recognises widespread application of this – other local authorities are doing the same on a much grander scale – but the results of the consultation have still not been issued. He has received an email from the Director of Local Government Finances stating that the government response won't be published till later this year, and any regulatory finances won't be implemented on a mandatory basis before April 2024. This will give councils the certainty they need to set budgets for 2023-24. GT's report demonstrates that the team is still assessing this, with no conclusion one way or the other, but hopefully both parties will agree by the final accounts and findings report.

A Member asked whether the red dot next to salary growth projections for the pension plan suggests an issue between the 3.5% salary growth actuarial value increase and the PWC range listed as 0.25% above CPI. GB said there is a difference between values used by our actuary and the work PWC's actuary uses to assess the assumptions. This hasn't resulted in any material misstatement in financial statements this year, but the disclosure has been included which outlines what the range would be. It is something that needs to be considered in terms of the increase the CPI this year, and would be considered in the revaluation next year.

Returning to the MRP question for general context, a Member asked what the impact would be if the guidance was not interpreted in the way it currently is being interpreted. The headline figures talk about £334k adjustment to income and expenditure statements, with more details to come at the next meeting, but he wondered if there was any need to worry at this stage. PJ said that in terms of materiality – in the region of £800k – this dates back to the recovery budget agreed unanimously by full Council in November 2020, followed by significant informal consultation from June to October with a number of parties. As the council was coping with different circumstances then – no council income, car parking etc, and considerable additional cost from Covid impact, the recovery budget was put forward with the bet will and intent to be followed for three years as originally set out. There would be a material revenue impact if that decision were to be reversed. AW added that work so far had just identified £334k adjustment to the expenditure account, and GT was not envisaging any significant issues.

A Member assumed the valuation expert for the council's land and buildings would be external, and asked who appointed them. GB said the council would instruct an external valuer to value its properties and assets up for valuation as part of a five-year programme; the property and finance teams check the figures, uses the numbers to populate the financial statements, and GT's expert critiques what the council's experts have done as part of the audit work.

No vote was required on this agenda item.

6 Draft Statement of Accounts, 2021-22

Gemma Bell [GB], Head of Finance, Assets and Property and Deputy S151 Officer, presented the Draft Statement of Accounts as at 15 November, including all adjustments to make the £334k identified by Grant Thornton, and various changes and additions to disclosures and the narrative report. With regard to finalising the report, the finance team is still awaiting the final accounts from Gloucestershire Airport, and also the conclusion on the audit work around MRP.

It is recommended that the Committee approve the Draft Statement of Accounts, subject to review and any further questions, delegating authority to the Chair to sign the final version of the accounts and management representation letter once these are finalised. Any significant issues will be brought back to the Committee.

One Member thanked GB for the document, saying that he had learnt a lot about the council. The following responses were given to Members' questions:

- the optimum level of general balances of £3.256m includes various assumptions on achievement of savings, pay inflation, general inflation and so on, against all costs across the budget, plus a built-in contingency. The 14% contingency demonstrates how much of the general balance forecast would remain if the worst was to happen in the coming year;
- the order of the priorities as listed in the document is set out in the draft Corporate Plan which will be brought to Council in February. If Members feel this should be re-ordered – specifically that the current Priority 5 (delivering services to meet the needs of communities) should be higher – they should feed this back to officers;
- regarding how CIL and S106 payments from planning applications is collected, held and divided up: if no conditions were attached, the monies are transferred at the end of year to 'capital grants unapplied' which sits on the balance sheet; if conditions were attached, it sits in 'capital grants received in advance'. It was noted that the County Council is not happy with the way that CIL payments are potentially being allocated, and it is important that any time-bound S106 payments need to be captured with a warning that the money needs to be spent.

With no further questions, votes were taken on the two recommendations, where Members agreed unanimously to:

- 1. Approve in principle the draft Statement of Accounts dated 15 November 2022;**
- 2. Approve the delegation of authority to the Chair of the Committee to sign the final version of the accounts and management representation letter, subject to no significant issues being raised by audit.**

7 Work Programme

There were no comments or amendments from Members.

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

There were none.

9 Date of next meeting

The next meeting is scheduled for 24 January 2023.

Cheltenham Borough Council

Audit, Compliance and Governance Committee – 24th January 2023

Internal Audit Progress Report

Accountable member:

Councillor Peter Jeffries, Cabinet Member for Finance and Assets

Accountable officer:

Paul Jones, Executive Director – Finance, Assets and Regeneration

Accountable scrutiny committee:

None

Ward(s) affected:

N/A

Key/Significant Decision:

No

Executive summary:

The Council must ensure that it has sound systems of internal control that facilitate the effective management of all the Council's functions. The work delivered by SWAP Internal Audit Services (SWAP), the Council's internal audit service, is one of the control assurance sources available to the Audit, Compliance and Governance Committee, the Executive Leadership Team and Corporate Management Team and supports the work of the external auditor.

The Annual Internal Audit Opinion presented to the Audit, Compliance and Governance Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Progress Report, however, is designed to give the Audit, Compliance and Governance Committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurances on the control environment.

Recommendations:

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

Implications

1.1. Financial implications

There are no financial implications arising from the report

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

1.2. Legal implications

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

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

1.3. HR implications

There are no specific HR implications arising from the content of the report. The HR Team continue to work closely with CBC and SWAP to ensure that any HR related recommendations from audits are actioned.

Signed off by: Julie McCarthy, HR Manager – Operations, Julie.Mccarthy@publicagroup.uk

1.4. Environmental and climate change implications

None specific arising from the report agreed actions

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

1.5. Property/asset implications

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

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

1.6. Corporate policy framework implications

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

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

2. Promoting equality and reducing discrimination

No implications arising from the report agreed actions.

3. Performance management – monitoring and review

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

4. Background

- 4.1. The Audit Plan for 2022/23 was approved by this Committee in April 2022. The role and responsibilities of Internal Audit reflect that it is there to help the organisation to achieve its objectives, part of the plan has been aligned to elements of this strategy. However, to inform the audit plan we have also considered other key documents, such as the Medium-Term Financial Strategy, change programme agendas and updates to the business plan, many of which contain risk assessments
- 4.2. In order to satisfy the requirements of the Public Sector Internal Audit Standards (PSIAS) and to reflect changes within the Council, SWAP needs to focus upon areas where the organisation now requires assurance. This reinforces the requirement for Internal Audit to follow a more flexible and risk-based plan.
- 4.3. There is also a benefit to supporting the work of the External Auditor (Grant Thornton). This is in the form of financial and governance audits to support such activities as value for money.

5. Reasons for recommendations

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

6. Alternative options considered

- 6.1. None

7. Consultation and feedback

- 7.1. *None*

8. Key risks

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

Lucy Cater, Head of Internal Audit

Assistant Director, SWAP Internal Audit Services,

Lucy.Cater@swapaudit.co.uk

- Appendices:**
- (i) Appendix A: Report of Internal Audit Activity, January 2023
 - (ii) Appendix B: CBC Agreed Actions

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Cheltenham Borough Council

Report of Internal Audit Activity

January 2023

Contents

The contacts at SWAP in connection with this report are:

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Jaina Mistry

Principal Auditor

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- Contents:

Internal Audit Definitions

Audit Plan Progress

Finalised Audit Assignments

Internal Audit Definitions

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

- No
- Limited
- Reasonable
- Substantial



Audit Framework Definitions

Control Assurance Definitions

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

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

Internal Audit Definitions

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

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



Audit Framework Definitions

Categorisation of Recommendations

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

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

Definitions of Risk

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

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Procurement Cards	Final Report	Low Reasonable	2	-	1	1	Reported in September
ICT	Vulnerability Management	Final Report	High Reasonable	1	-	1	-	Reported in September
Operational	Election Expenses – Treatment of VAT	Final Report	Medium Substantial	0	-	-	-	Reported in September
Operational	Risk Management	Final Report	N/A					See Appendix C
Operational	Publica Performance Information	Final Report	Medium Reasonable	2			2	See Appendix C
Operational	Taxi Licensing – Safeguarding	Final Report	Low Reasonable	5		2	3	See Appendix C
Operational	Climate Change (Strategic)	Final Report	Medium Substantial					See Appendix C
Operational	Accounts Payable (Qtly review)	In Progress	On-Going					See Appendix C
Operational	Business Continuity Management	In Progress						
Key Financial Control	Payroll	In Progress						
Key Financial Control	Treasury Management	In Progress						
Key Financial Control	Accounts Receivable	In Progress						
Key financial Control	Bank Reconciliations	In Progress						
Key Financial Control	Revenues and Benefits	In Progress						

Audit Plan Progress

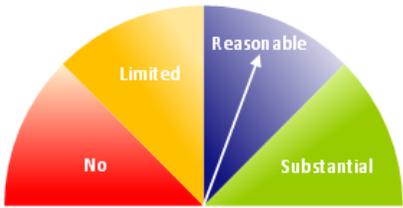
Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
ICT	Business World – Workflow and Approvals	In Progress						
Operational	Minster Xchange	In Progress						
Operational	Mechanism for Charging Council	Planned for Q3						
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Publica Improvement Programme	On-Going						
Grant Certification	Protect and Vaccinate	Complete	N/A					
Grant Certification	Test and Trace Payment Scheme	Complete	N/A					
Grant Certification	Contain Outbreak Management Fund	Complete	N/A					
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							

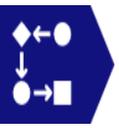
The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

Publica Performance Information – Final Report – November 2022

Audit Objective

Analysis of Publica performance information provided to CBC.

Assurance Opinion	Number of Agreed Actions		Risk(s) Reviewed	Assessment
 <p>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.</p>	Priority	Number	Publica are not providing sufficient performance information to enable CBC Officers and Members to form an opinion on the performance of the contract.	Low
	Priority 1	0		
	Priority 2	0		
	Priority 3	2		
	Total	2		

Key Findings	Audit Scope
 <p>Original KPI measures and targets were developed with limited input from Service Managers and have not been fully reviewed since their implementation in March 2020. We understand that this has already been discussed and that management will be meeting in the coming months to undertake a root & branch review of KPI's, including the suitability of targets set. It is hoped that the revised KPI suite and associated targets will be in place by April 2023.</p>	<ul style="list-style-type: none"> Publica's approach to recommending appropriate performance indicators. Analysis of data collation methodology and authorisation. Publica's process for reporting KPI's. <p>Discussions were held with CBC (Client Officer and Programme & Governance Manager) and with Publica (Client Manager, AP Team Leader, and Chief Technology Officer).</p> <p>The period assessed covered Q4 2021-22.</p>
 <p>Testing on a sample of KPI's was largely satisfactory, with submissions for input to Clearview made on a timely basis. All KPI's tested contained up to date data on Clearview. However, none of the indicators tested was subject to a management check prior to submission. Embedding such checks into the submission process would strengthen controls over data quality and mitigate the risk of inaccurate and/or fraudulent reporting.</p>	

Further Information
<p>During the course of the audit, software provider Clearview went into administration. However, a buyer has been found and efforts are in progress within CBC to establish a) the direction in which the new owners wish to take the firm, and b) whether an alternative provider may be better suited to the Authority's requirements. In the interim, Clearview remains fully operational and performance data is still being collated and input to prescribed timescales, as previously. All performance data is currently up to date on Clearview.</p> <p>Reporting of Publica KPI data to Members was evident from Overview & Scrutiny committee minutes throughout 2021/22 and in the form of a year-end performance report and scorecard drafted by the (then) Executive Director for People & Change and the Manager for Performance & Risk.</p>

Taxi Licensing Safeguarding – Final Report – September 2022

Audit Objective

To ensure the Council is fulfilling its safeguarding duties in relation to taxi driver licensing.

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	3
Total	5

Risks Reviewed

If the taxi driver licensing process is not handled in accordance with statutory guidance, someone could be harmed, and the Council will suffer reputational damage.

Assessment

Low

Key Findings



CBC have not introduced 6 monthly enhanced DBS checks as per the Common Standards for Licensing Hackney Carriage and Private Hire Drivers in Gloucestershire (Common Standards); 6 monthly DBS checks will be introduced.



Data analysis found some license status discrepancies; these are being investigated by the Business / Data Analyst. And over half of the open taxi related complaints in Uniform were from 2021; these have since been investigated and closed. Regular monitoring of applications and complaints will be introduced going forward.



CBC do not assess attendees' understanding of safeguarding training course content or safeguarding responsibilities; an assessment will be introduced. Mandatory safeguarding refresher training is due to be rolled out later this year and will be undertaken every 3 years.



The CBC Licensing Policy and Corporate Enforcement Policy do not include timeframes for informal complaints. Timescales for informal taxi complaints will be introduced and monitored.



There is currently no way to check if an applicant has lived abroad at any time and if a certificate of good character is required as per statutory guidance. All application forms will be updated with a declaration to capture this information.

Audit Scope

A safeguarding focused review of taxi driver licensing was undertaken. Control areas reviewed included;

- Application checks and license reviews.
- Safeguarding training.
- Complaints procedure.

Discussions were held with the Senior Licensing Officer, Licensing Officer, and Licensing Enforcement Officer.

Sample testing and data analytics were undertaken on the data received for new applications, application renewals and complaints received for both Hackney Carriage and Private Hire Vehicles from January 2020 – June 2022. Reports were generated from Uniform by the Head of Public Protection.

Other Relevant Information

Cabinet approved the adoption of the Common Standards in September 2021. The Licensing Policy was updated after the adoption of these common standards and changes to statutory guidance.

The Senior Licensing Officer confirmed CBC are part of the Gloucestershire Licensing Officers Group (GLOG), who meet quarterly. At the time of audit work (July 2022) evidence was seen to support a licensing data sharing agreement was in progress with GLOG.

Climate Change (Strategic) – Final Report – October 2022

Audit Objective

To ensure effective governance arrangements are in place to support and challenge the delivery of the Councils' corporate priority(ies) for Climate Change and the actions set out within Environment and Climate Strategy(ies).

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	<p>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p>	Priority	Number	<p>The Council experiences reputational damage, and potential financial loss, through failing to deliver on one of its corporate priorities, and take appropriate action to mitigate the threat of climate change and its associated impacts.</p>	<p>Low</p>
		Priority 1	0		
		Priority 2	0		
		Priority 3	0		
		Total	0		

Key Findings

	<p>CBC has approved a Climate Emergency Action Plan (CEAP). This document maps the pathway to achieving net-zero targets with SMART actions that are prioritised for completion. To maintain appropriate Council oversight of the CEAP, the Overview & Scrutiny Committee receives annual reports and informal updates on progress. There's also a dedicated Cabinet Member for Climate Emergency. An internal strategy and performance system (currently Clearview) is used but recent issues have caused delays with officers updating progress. CBC's carbon emission data, published on their website annually, is the main measure of performance.</p>
	<p>Approved strategic documentation including the Corporate Plan, Place Vision and CEAP, defines CBC's commitment to the climate agenda. A couple of points for consideration are as follows:</p> <ul style="list-style-type: none"> CBC's Place Vision document was approved by Council in March 2018. It was noted that applicable timescales are not defined. Any review, update or replacement could clarify these. The Place Vision is the starting point for the Corporate Plan which was approved in July 2020 and is currently under review. The CEAP was approved in February 2022. Referencing the CEAP in updates to strategic documentation will A) Ensure links are strengthened, and B) Highlight the importance of the CEAP.

Audit Scope

<p>Our review focussed on the following areas:</p> <ul style="list-style-type: none"> A Corporate Plan and Environment and Climate Strategy have been developed and received Member approval to support the delivery of the Authority's Climate Agenda. Oversight and coordination of the delivery of the Environment and Climate action plan and the Climate Change corporate priority(ies). Climate Change Objectives are SMART (Specific, Measurable, Attainable, Relevant and Timely). Performance monitoring and reporting. <p>Discussions were held with the Director of Climate Change and Place Services and the Climate Emergency Programme Officer.</p> <p>Scope Limitations: Climate Change Operations and Carbon Reduction was not included in this review as separate audits focusing on these areas have been planned.</p>
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Additional Information

The current Climate Team consists of two Officers. CBC's CEAP references a commitment to future funding for the current Climate Team and advises there's an expectation that this team will need to grow. It's important Cabinet, Council and Committee functions remain aware of their key role in ensuring adequate resources to meet CBC's ambitious climate agenda.

Accounts Payable Quarterly Analysis – Final Report – October 2022

Audit Objective

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

Audit Scope

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

Assurance Opinion

Quarter 1



Quarter 2



Quarter 3

Quarter 4

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

CBC officers are responsible for approving invoices for payment and therefore must ensure robust checks are undertaken prior to authorising a payment. This will help to limit the risk of duplicate payments being processed.

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

Conclusion

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

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

Risk Management Maturity Assessment – Final Report – November 2022

Audit Objective

To assess Cheltenham Borough Council's Risk Management maturity against the Management of Risk (MoR) Maturity Criteria and Scale.

Executive Summary and Conclusion

Overview

Cheltenham Borough Council requested a Risk Management maturity assessment aligned to the principles of the Management of Risk (MoR) framework. The assessment included a review of the Policy, processes, risk register, and survey of employees tasked with Risk Management responsibility.

The 'MoR' criteria sets out maturity across five levels. *'Level 1' – Initial (least mature), Level 2 – Repeatable, Level 3 – Defined, Level 4 – Managed, and Level 5 – Optimizing (most mature).*

MoR Criteria and Assessment

1. Aligns with Objectives

We currently assess the Risk Management Maturity of 'Aligns with Objectives', at;

- **Level 3, 'Objectives are updated to reflect changing stakeholder needs and expectations'.**

2. Fits the Context.

We assess maturity of 'Fits the context', at;

- **Level 2, Repeatable; 'Examination of the context is built into the risk process'.**

3. Engages Stakeholders.

We assess 'Engages Stakeholders' at;

- **Level 3 'Communication strategy is developed. Stakeholder objectives are identified, captured, aired, aligned, agreed and signed off. differing stakeholder perceptions are understood.'**

4. Provides Clear Guidance.

We assess 'Provides Clear Guidance' at;

- **Level 2 (Repeatable) 'Policies and Process are defined. Process gaps are identified, assessed and corrected.'**

5. Informs Decision Making.

We assess 'Informs Decision Making' at;

- **Level 3 (Defined) 'Policies are further developed, refined and further disseminated. Central Risk function established. Senior Management reports in a consistent format.'**

6. Facilitates Continual Improvement.

We assess the maturity level of Facilitates continual Improvement at;

- **Level 2 - Repeatable. 'People are trained in the process. Awareness of the most commonly used techniques.'**

7. Creates a Supportive Culture.

We assess 'Creates a supportive culture' at;

- **Level 2 Repeatable – 'Risk owners, managers and actionees are identified, and risk actions assigned. Common barriers are recognised and addressed.'**

8. Achieves Measurable Value.

We assess the current maturity of Achieves Measurable Value at;

- **Level 3 (defined) - Performance Measures in place that show achievement of measurable value within organisational activities/perspectives.**

Conclusion

To fully embed a Risk Management culture within any organisation will take time for employee mindsets to change. This requires time spent on education, guidance, clear policy and processes, and importantly a clear direction and 'tone from the top.' A lot of work has gone into transforming Risk Management within Cheltenham Borough Council and the essentials have been implemented for a successful journey.

High level governance and underlying principles of risk management have been implemented and maturing. There is a clear Risk Management Policy. Objectives and goals have been set, SWOT analysis performed, and Performance Indicators are being developed. There are defined processes, and a designated system for use by staff. Direction and guidance is available by Risk Management accredited management.

More mature Risk Management processes exist at the corporate level and have been in place for some time. Risk Management at the operational level is heavily reliant on all staff embracing it. This requires understanding on what and how to recognise risks and opportunities to be able to manage them. It is in part driven by the risk management training provided, and discussion amongst peers. Good software enabling Risk Management has been procured which helps facilitate the process.

However, risk management is sometimes performed 'intuitively', meaning the underlying processes are not followed formally with the potential for leaving gaps. For example, risks may not be documented or are not officially reviewed and updated as often as they should be. This could lead to increased risk or missed opportunity. Reasons for this could be related to available time and other work pressures or just potentially misunderstanding of requirements. For example, areas such as risk-scoring and tolerance can be difficult concepts to understand from an operational perspective.

Generally, CBC are progressing well in their path of improving the risk management culture across the organisation and is an ongoing process of improvement. The overall level of maturity across the criteria is assessed at;

Level 3 – Defined. The MoR describes this as; *"Risk management processes are further developed and refined. A central risk management function has been created coordinating effort, minimizing duplication, creating an audit trail and ensuring a consistent approach. There is also a core of experienced individuals who are capable of modelling and response planning. EWIs are developed for operational risk and business continuity plans are prepared. The board debate the high-level risks on a regular cycle and risk management is used to improve business performance."*

It will take time to accomplish higher levels of maturity, but a continuing message of support and direction should be given to staff alongside continuing governance oversight. To assist in this area, CBC could perhaps consider;

- Endorsing 'Risk Champions' across different levels of the organisation that can help facilitate risk reviews, workshops and risk guidance.
- Include a standing item for general risk management discussion in management and team meetings.
- Include risk management objectives and discussions within role profiles and the 1-2-1 process.

- The introduction and use of an issue register, alongside and feeding the risk register (where and if deemed appropriate). Ongoing issues or problems may introduce additional unidentified risk or opportunity, requiring management action or escalation.

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Audit Period	Audit Name	Unique Reference	Issue	Status Aug 2022	Status Dec 2022	Priority	Created Date	Start Date	Target Implementation Date	Revised Target Implementation Date	Closed Date
OPEN / OUTSTANDING AGREED ACTIONS											
Pre 2021/22 Audits		2									
October 2019	Revenues and Benefits (CBC)	42640	Discounts and exemption reviews undertaken are not evidenced	Ongoing	Ongoing	3	12/11/2019		31/03/2020	31/12/2022	
July 2020	Planning Enforcement	44647	The Built Environment Local Enforcement Plan (Planning) has not been recently reviewed	Agreed	Agreed	3	13/10/2020	31/07/2021	31/08/2021	30/06/2023	
2021/22 Audits		8									
October 2021	Main Accounting and Accounts Receivable	47056	Write off Separation of duties.	Agreed	Agreed	2	04/05/2022		31/07/2022	31/10/2022	
October 2021	Main Accounting and Accounts Receivable	47096	Debt Management, recovery and write off guidance.	Agreed	Agreed	2	17/05/2022		30/09/2022		
November 2021	ICT - Control of Accounts with Administrative Privileges	47032	Potential for inappropriate and undetected local Administrator rights.	Agreed	Agreed	3	11/04/2022		30/11/2022		
September 2021	ICT - Vulnerability Management	47107	Device Security Status Checks	Agreed	Agreed	2	18/05/2022		31/12/2022		
July 2021	Procurement Cards (CBC)	47127	Charge Card Policy and Guidance Outdated	Agreed	Agreed	3	24/05/2022		30/09/2022		
July 2021	Procurement Cards (CBC)	47129	Non-compliance with Policy / Agreed Protocols	Agreed	Agreed	2	24/05/2022		30/09/2022		
September 2021	Emergency Planning (CBC)	46171	No guidance for the use of Emergency Response WhatsApp groups.	Ongoing	Ongoing	2	27/10/2021	31/01/2022	31/01/2022	31/12/2022	
January 2022	Monitoring the Performance of Strategic Commissioned Services	46754	Strategic Commissioned Service risk not identified in risk register	Agreed	Agreed	2	17/02/2022		30/06/2022	31/03/2023	
2022/23 Audits		7									
January 2022	Publica Performance Information	47714	KPI Definitions & Targets		Agreed	3	14/10/2022		31/03/2023		
January 2022	Publica Performance Information	47715	Management Checks		Agreed	3	14/10/2022		31/03/2023		
January 2022	Publica Performance Information	47715	6 monthly enhanced DBS checks are not completed as per the		Agreed	2	03/08/2022		31/03/2023		
June 2022	Taxi Licensing - Safeguarding (CBC)	47390	Common Standards.								
June 2022	Taxi Licensing - Safeguarding (CBC)	47396	Safeguarding training assurance.		Agreed	2	03/08/2022		31/12/2022		
June 2022	Taxi Licensing - Safeguarding (CBC)	47404	There are no agreed timeframes for informal taxi complaints.		Agreed	3	08/08/2022		31/12/2022		
June 2022	Taxi Licensing - Safeguarding (CBC)	47472	Certificate of good character declaration.		Agreed	3	22/08/2022		31/12/2022		
June 2022	Taxi Licensing - Safeguarding (CBC)	47478	Monitoring and Uniform data.		Agreed	2	24/08/2022		31/03/2023		

Audit Period	Audit Name	Unique Reference	Issue	Status Aug 2022	Status Dec 2022	Priority	Created Date	Start Date	Target Implementation Date	Revised Target Implementation Date	Closed Date
COMPLETED / CLOSED AGREED ACTIONS											
Pre 2021/22 Audits - Agreed Actions Completed		5									
July 2019	Cyber Security - Incident Management	44563	There is no clear tracking mechanism for ongoing and recurring vulnerabilities.	Closed - Recommendation Complete	Closed - Recommendation Complete	3	10/11/2020		31/12/2021	30/06/2022	11/07/2022
October 2020	ICT Audit Deployment of Anti-Malware Devices	45452	There is currently no formal process in place to review, identify, validate and remediate gaps in anti-malware status and coverage.	Complete	Complete	3	17/05/2021		31/10/2021	30/04/2022	11/07/2022
July 2019	Cyber Security - Incident Management	44560	The Incident Management Policy, along with the Information Security Framework of policies, were last updated in 2017.	Outstanding	Complete	2	10/11/2020		30/04/2021	30/09/2022	13/10/2022
July 2019	Cyber Security - Incident Management	44561	Incident Response plans are not fully documented.	Agreed	Complete	3	10/11/2020		31/12/2021	30/09/2022	15/09/2022
July 2019	Cyber Security - Incident Management	44562	Incident Management and investigation procedures are not documented.	Agreed	Complete	2	10/11/2020		31/12/2021	30/09/2022	15/09/2022
2021/22 Audits - Agreed Action Completed		13									
April 2019	Asset Management (CBC)	44678	Reconciliation between the Uniform system and the Council's finance system is not completed as per the Financial Rules.	Complete	Complete	2	11/12/2020	30/06/2021	30/06/2021	31/03/2022	18/05/2022
July 2020	Systems Administration	45115	Privileged user accounts remain active when not required.	Closed - Recommendation Complete	Closed - Recommendation Complete	2	04/03/2021		31/01/2022	30/06/2022	17/05/2022
July 2020	Systems Administration	45236	A lack of control surrounds the Business World SYSTEM account.	Complete	Complete	2	25/03/2021		31/01/2022	30/06/2022	12/04/2022
October 2020	Revenues and Benefits (CBC)	44743	User Ids are not disabled when no longer required. Group permissions are not reviewed.	Complete	Complete	3	14/12/2020		31/01/2022	30/04/2022	13/07/2022
January 2021	ICT Audit Data Recovery Capabilities	45747	A Data Recovery Test Schedule was not available.	Complete	Complete	3	22/07/2021		31/12/2021		08/06/2022
July 2021	Procurement Cards (CBC)	47154	Transparency Data not published in a timely manner	Complete	Complete	3	06/06/2022		30/09/2022		06/2022
September 2021	Emergency Planning (CBC)	46173	Some Gold Commanders have not undertaken training in the last 3 years.	Complete	Complete	2	27/10/2021	31/03/2022	31/03/2022	30/06/2022	17/2022
September 2021	Emergency Planning (CBC)	46219	CBC Emergency Planning is not fully resourced.	Complete	Complete	1	02/11/2021	31/01/2022	31/01/2022	30/06/2022	17/2022
January 2022	Monitoring the Performance of Strategic Commissioned Services	46708	Corporate Risk Register	Closed - Recommendation Complete	Closed - Recommendation Complete	2	14/02/2022		30/06/2022		19/2022
November 2021	ICT - Control of Accounts with Administrative Privileges	46851	Accountability (enforced reason entry to view accounts)	Agreed	Complete	3	03/03/2022		30/11/2022		13/10/2022
November 2021	ICT - Control of Accounts with Administrative Privileges	47089	Last (current) Logged on user within Virtual environments	Agreed	Complete (Client Self Assessment)	3	13/05/2022		30/11/2022		13/10/2022
January 2022	H & S Fire Risk Assessments (CBC)	46438	There is no fire risk assessment work schedule	Agreed	Complete	2	06/12/2021	30/06/2022	31/03/2022	31/07/2022	12/10/2022
January 2022	Monitoring the Performance of Strategic Commissioned Services	46745	SWAP Board Papers	Agreed	Complete	2	16/02/2022		30/06/2022		27/09/2022

NEXT MEETING	
EXTRAORDINARY MEETING: 9 March 2023	
Audit committee update	Grant Thornton
Annual Auditors report (for previous year)	Grant Thornton

ANNUAL ITEMS (standing items to be added to the work plan each year)	
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
Exempt report Cyber Security Business Continuity Arrangements (inc. review of databases and data sources) <i>pushed back from January</i>	Mike Redman
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
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

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