

Cheltenham Borough Council
Audit Committee – 12th January 2011
Internal Audit Monitoring Report

Accountable member	Cabinet member corporate services - Councillor Colin Hay
Accountable officer	Audit Partnership Manager – Robert Milford
Accountable scrutiny committee	Economy and business improvement
Ward(s) affected	All

Executive summary	<p>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 Audit Cotswolds, the council's internal audit service, is one of the control assurance sources available to the Audit Committee, the Senior Leadership Team and supports the work of the external auditor.</p> <p>The Annual Internal Audit Opinion presented to Audit Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Monitoring Report however is designed to give the Audit Committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurances on the control environment.</p>
Recommendations	The Audit Committee considers the report and makes comment on its content as necessary

Financial implications	<p>There are no financial implications arising from this report.</p> <p>Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p>None specific arising from the report recommendation.</p> <p>Contact officer: Peter Lewis, peter.lewis@teWKesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>No additional HR implications arising from this report.</p> <p>Contact officer: Julie McCarthy, HR Operations Manager julie.mccarthy@cheltenham.gov.uk, 01242 26 4355</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	
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1. Background

- 1.1 The Annual Audit Plan was aligned with the corporate and service risks facing the Council as identified in consultation with the Senior Leadership Team and supported by such systems as the risk registers. At the time of preparing the 2010/11 plan, the Councils Corporate Strategy 2010-2015 was being compiled and, as internal audit is there to help the organisation to achieve objectives, part of the plan has been aligned to elements of this strategy. However, to inform the audit plan we have also reviewed other key documents, such as the recently prepared Medium Term Financial Strategy, change programme agendas and updates to the business plan, many of which contain risk assessments.
- 1.2 There is also a requirement to support the work of the External Auditor (KPMG). This is in the form of financial audits governed by the Joint Working Agreement, and the governance audits to support such activities as Use of Resources.
- 1.3 The audit plan also considered risks that may evolve during the year. The consultation process has sought to identify these areas considering where internal audit could support and add value to the risk control process. This report identifies work we have completed in relation to the planned audit work.

2. Reasons for recommendations

- 2.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change e.g. the GO Programme impacting on core financial systems, Shared Services impacting on core governance arrangements, etc.
- 2.2 Therefore Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. This prompts the requirement to move to a more flexible and risk based plan. It is anticipated that the 2011/12 plan will include a new risk based element that allows for far more flexibility and responsiveness for the internal audit service than previously considered.
- 2.3 It should also be recognised that the service is now a three-way partnership so coordinating resources across multiple organisations is critical to the success of the partnership.
- 2.4 This report highlights the work completed by internal audit and provides comment on the assurances provided by this work.

3. Internal Audit Output

- 3.1 The internal audit service commenced the quarter with full resources as operated under the Cheltenham & Cotswold Audit Partnership. Moreover, the partnership expanded to include West Oxfordshire with effect from the 1st November 2010. The partnership is now called Audit Cotswolds.

3.2 Internal Audit has concluded the following audits in the quarter:

Audit	Report status	Assurance
Environmental and Sustainability Management Audit*	Final	Satisfactory
Performance Management	Final	Satisfactory
Procurement	Final	Satisfactory
Core Financial Audit – interim systems evaluation	Final	High
Cemetery & Crematorium	Final	Satisfactory
KPMG Public Interest Report follow-up recommendations	Final	Satisfactory
Depot Rationalisation	Final	N/A

3.3 Further detail specific to each audit finalised is shown in **Appendix 1**.

***The environmental audit is to be discussed with the Audit Committee in more detail following this report.**

3.4 Audit Cotswolds has also undertaken the following:

- Audit support for the GO-Programme (see section 4 below)
- Business Continuity Planning – Health Check
- Debtors/Creditors for West Oxfordshire
- Cheltenham Borough Homes – client (audit days delivered)
- Audit support for the Commissioning Programme
- Audit Support for the other key Change Programmes

- 3.5 Internal Audit was required to conduct two investigations that were triggered in the latter part of 2009/10. These have used considerable audit resources and as such two areas of planned activity have been deferred – Corporate/Service Delivery Planning and Governance Compliance. Any details relating to the investigations will be provided to the Audit Committee when it is appropriate to do so.

4. Possible changes to the Annual Audit Plan & Resources

- 4.1 There are no additional changes to report to the Audit Committee following the last meeting and the agreement to continue to provide assurances for the GO Programme.
- 4.2 The partnership has now expanded to include West Oxfordshire, with effect from the 1st November 2010. This has brought new skills into the team and improved resilience. This has been demonstrated by the ability of the team to manage a maternity absence with no additional staffing.

5. Conclusion

- 5.1 Audit Cotswolds has been established, with effect from 1st November 2010, as a three-way audit partnership.

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Appendices : 1. Internal Audit Monitoring Report

Background information

