

## National Non Domestic Rates 2013/14 Executive Summary

This review of National Non Domestic Rates (NNDR) or Business Rates, the national tax collected by local authorities on all non-domestic/commercial properties, was undertaken in February 2014, the objectives of the review were as follows:

- Determine the most significant risks across the whole service area and confirm that the related fundamental controls were operating effectively
- Take account of results from previous reviews across the whole service area to evaluate the complete risk and controls picture
- Follow up recommendations from the previous year

It can be seen from the first objectives that our intention was not to undertake one of the three modules covering the whole NNDR process, from the rateable valuations and billing through to arrears collection processes, but instead review the key risks and related control effectiveness, across the whole operation.

As at the beginning of April 2013, Cheltenham Borough Council (CBC) had approximately 4,000 commercial properties liable for Business Rates. The total amount billed for these properties was approximately £55m; the actual amount collected to January 14 was £53m. The arrears position at the end of November 13 was £705k.

Based on this year's objectives, we first determined whether there were any major changes to current systems or procedures or new legislative requirements. We involved management in this assessment. As a result, we have been able to confirm the effectiveness of the controls which are in place to mitigate the key risks identified. We also confirmed that these controls were operating as expected. There was however one exception.

The reconciliations of the NNDR IBS system to the General Ledger accounting system had not been undertaken for 2 months from January 14 to February 14, due to the absence of a key member of staff. We have confirmed that all outstanding reconciliations have now been completed and there are no brought forward problems. We held discussions with the Revenues Manager, who stated; the non-completion of the reconciliations was a managed risk and considered to be a low priority against the demands of the 2014-15 annual billing procedure deadlines. We have been advised that alternative additional staffing arrangements have been put in place by management, so that this situation does not happen again.

We have also taken into account previous years' modular based audit results in order to come to an overall conclusion this year.

Finally we confirmed that the recommendations made at the last audit have been properly implemented and are working effectively.

As a result of the overall findings we have given this review a 'Satisfactory' assurance opinion.

Assurance Level	Audit Assurance Opinion
<b>Satisfactory</b>	The system of expected control although sound, has elements of weakness thus increasing system objective risks

## **Council Tax 2013/14**

### **Executive summary**

This review of Council Tax, the national tax collected by local authorities on all domestic dwellings, was undertaken between February and May 2014, the objectives of the review were as follows:

- Determine the most significant risks across the whole service area and confirm that the related fundamental controls were operating effectively.
- Take account of results from previous reviews across the whole service area to evaluate the complete risk and controls picture.
- Follow up recommendations from previous year.

It can be seen from the first objectives that our intention was not to undertake one of the three modules covering the whole Council Tax process, from the valuations and billing through to arrears collection processes, but instead review the key risks and related control effectiveness, across the whole operation.

Cheltenham Borough Council (CBC) is the Billing Authority and therefore responsible for setting, levy, collection and recovery of Council Tax. As at the beginning of April 2013, there were approximately 53,400 domestic properties liable for Council Tax. The total amount billed for these properties was approximately £58m; the actual amount collected to January 14 was £55m. The arrears position at the end of November 2013 was £1.1m.

Based on this year's objectives, we first determined whether there were any major changes to current systems or procedures or new legislative requirements. We involved management in this assessment. As a result, we have been able to confirm the effectiveness of the controls which are in place to mitigate the key risks identified. We also confirmed that these controls were operating as expected. There was however one exception.

The reconciliations of the Council Tax IBS system to the General Ledger accounting system had not been undertaken for 2 months from January 14 to February 14, due to the absence of a key member of staff. We have confirmed that all outstanding reconciliations have now been completed and there are no brought forward problems. We held discussions with the Revenues Manager, who stated the non-completion of the reconciliations was a managed risk and considered to be a low priority against the demands of the 2014-15 annual billing procedure deadlines. We have been advised that alternative additional staffing arrangements have been put in place by management, so that this situation does not happen again.

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## **Grants 2013/14**

### **Executive summary**

In 2013, the Council funded 36 community pride schemes costing the Council £46,000. The schemes consisted of a mixture of community pride and community “building” (i.e. spirit) type schemes. These are not classed as capital projects.

There were also three longer term regeneration projects funded by the Council under an SLA. These were the:

- Oakley Project
- Hesters Way scheme
- Cheltenham West End Partnership

Payments made under these schemes were reviewed; they are accurately recorded and controlled and in accordance with the service level agreements (SLA’s).

The community grant schemes are well advertised and the Councils policy and criteria are clearly documented on their website as guidance for applicants.

There is a grants protocol that ensures grants are awarded in accordance with the Councils aims and objectives. A panel sits and agrees the grants to fund, a process which is accurately recorded and robust.

Grant application and grant agreement forms are completed for all grants approved and payment is only made on a completed grant claim form validating expenditure.

The introduction of the new finance system, ABW (Agresso) has led to some challenges in the payment of grants. We recommend that the grant recording system is better integrated with finance to improve reporting and monitoring of grants.

The audit acknowledged that the spread sheet used by the Strategy and Engagement Manager provides useful management and monitoring information. This should be regularly reconciled however with the ledger to ensure integrity.

The audit conclusion from our testing is that award and payment of grants is generally well controlled and monitored.

Assurance Level	Audit Assurance Opinion
Satisfactory	The system of expected control although sound, there are opportunities for improvement to further reduce system objective risks.

## **Housing Benefits 2013/14**

### **Executive summary**

This audit has been completed as part of the annual review of the core financial systems which are an important part of financial management for the Council. Appropriate control over the operation of this system is central to the financial management element of the Council's statement of internal control. Housing Benefits are a core financial system and as such are audited each year.

This review focused on fundamental key controls as required by the external auditor (Grant Thornton); Personnel and software changes; Subsidy claim procedure review; 3<sup>rd</sup> party data sharing; and the Discretionary Housing Payments (DHP) scheme.

The main objectives of the review have been to test the adequacy and effectiveness of internal controls in place; to ensure that current processes are meeting the requirements of internal policy, procedural standards and targets for each system reviewed; and to ensure the processes are meeting external codes of practice, and, as appropriate, statutory regulations.

Due to the depth of testing completed 2012-13, for 2013-14 we have performed a high level review of previous findings as well as emerging risk areas as instructed by the client. The work undertaken during the review has been sufficient to address these objectives and gain an opinion on the level of assurance that can be placed on the system of controls.

As part of the Localism Act (2012), Council Tax Benefit (CTB) was replaced with Council tax support (CTS) on 1<sup>st</sup> April 2013. The new scheme is set nationally for pension age customers and locally for working age customers. Cheltenham has currently adopted a similar scheme to the old council tax benefit for working age. A one-off central government transitional grant was made available to CBC in 2013/14 to help facilitate the CTS changeover due to a 10% reduction in government funding of the new scheme. The Benefits Manager has made prudent use of the transitional grant payment leaving CBC well placed to absorb any shortfall in support funding for 2014-15.

Sample testing was carried out on the monitoring of new claims and change in circumstances, housing benefit payment runs through creditors, reconciliations between systems and controls in place for Discretionary Housing payment awards. There were no significant issues arising from the testing or our review of existing controls.

All recommendations from the previous audit have been actioned; the majority have been completed with one action point still on-going, led by the shared ICT team.

CBC received additional funds through changes to the Council Tax discount and exemption schemes as well as a transitional grant for Council Tax support. Management of resources leaves the service well placed to absorb any further cuts in Government funding of the scheme.

The Housing benefit department is based in a secure area of the Municipal offices with access only available to Benefits, Revenues and Licensing staff. The offices are open plan with the 3 services mentioned sharing the floor albeit in separated areas. It is recommended that in order to provide full assurance on the security of data the Benefits service should implement a clear desk policy with a long term view to having their own secured offices in the future.

Based on testing and review completed, we can place a high level of assurance system of controls in place.

<b>Assurance Level</b>	<b>Audit Assurance Opinion</b>
<b>High</b>	The system of control is sound and designed to achieve system objectives.

## **Core Financials**

### **Executive summary**

The review of the Core Financial systems was conducted as part of the audit programme for 2013/2014 as approved by Audit Committee in March 2013. This audit covered controls and processes in place in respect of:

- Budgetary Control and Capital Accounting
- Main Accounting and Treasury Management
- Payroll
- Accounts Payable
- Accounts Receivable

Audit testing has confirmed that the control framework within CBC in relation to the areas reviewed is generally sound and provides assurance that processes and procedures enable the delivery of business objectives.

Recommendations from the previous year have been reviewed and any outstanding items not yet actioned or implemented have been addressed within these audits.

To further improve the control environment, the following areas would benefit from development and improvement:

- **Budget Monitoring:** Consider the timeliness of budget monitoring reporting and liaise with the GO Shared Service to enhance the current suite of reports.
- **Payroll:** Ensure payments are made in accordance with policy.
- **Accounts Payable:** Increase/improve the use of purchase orders and authorisation processes to ensure suppliers are paid promptly.

Based on the work completed we have concluded that there are sound controls operating within CBC in respect of the Core Financial Systems. There are number of opportunities for further improvement and development as above and discussed in section 3 of this report.

System	Assurance Level
Budgetary Control and Capital Accounting	<b>Satisfactory</b>
Main Accounting (Including Bank Rec) and Treasury Management	<b>High</b>
Payroll	<b>Satisfactory</b>
Accounts Payable	<b>Satisfactory</b>
Accounts Receivable	<b>Satisfactory</b>

## **PSN Submission 2013/14 Executive summary**

In 2013, the Audit Cotswolds brief focused on the evaluation of the evidence available to substantiate the “Supporting Evidence” statements made on CBC’s PSN Code of Connection (CoCo) submission.

A subsequent follow-up was done in March 2014 and was based on a review of the amber items. This review involved revisiting the amber items as well as a brief review of CBC’s 2014 submission responses.

This report provided further follow up in the run up to the submission to provide assurance that the PSN submission could be effectively evidenced. The audit concluded that if strategies were in position to tackle a number of on-going issues, leading to mitigating controls being in place, then Internal Audit could give a satisfactory assurance opinion over the 2014 PSN submission.

This position was confirmed by management.

## **Transparency Executive summary**

This audit was carried out as part of the risk based audit programme planned for 2013/14 as approved by Audit Committee in March 2013. The purpose of the audit is to provide Members and senior officers with sufficient levels of assurance that the transparency process in place at Cheltenham Borough Council is effective.

The Council has a responsibility to protect public funds and such, must make certain information available allowing the public to scrutinise the use of Council finances and resources.

In 2011 the Government published the categories of information that would increase local authority transparency in the *Code of Recommended Practice for Local Authorities on Data Transparency (2011)*. From May 2014 the Department for Communities and Local Government (DCLG) issued a new *Local Government Transparency Code (2014)*. This updated code contains additional data sets which have now become mandatory for local authorities to publish (the 2011 code was voluntary).

The current transparency code of practice (2011) recommends a varied scope of data to be published. CBC voluntarily publishes the majority of this data with few exceptions (e.g. the property register of CBC owned land, property and assets). There are plans in place to publish the remaining information as part of compliance with the revised 2014 code.

It was noted from informal discussions with service areas that it is not widely understood what information they will be required to produce, or the deadlines for the implementation of the 2014 transparency standards. Existing engagement with service areas should continue – greater coordination in preparing for the requirements of the new code will ensure mandatory data is published, with the relevant service areas responsible for managing the process.

The current arrangements and practices in place at Cheltenham Borough Council support the effective publication of data for the public, in line with the Government’s Transparency Agenda (2011).

<b>Assurance Level</b>	<b>Audit Assurance Opinion</b>
<b>High</b>	The system of control is sound and designed to achieve system objectives.

[Note: See Appendix A for Assurance Level definitions]

## Appendix B

### Assurance and Priority Methodology

Assurance and Priority levels for all audits follow a standard methodology to ensure reliability and validity of Internal Audit opinion. The tables below set out the rationale for the opinion and suggested management action timescales.

Assurance Level	IA Opinion – Controls		IA Opinion - Compliance
<b>High</b>	The system of control is sound and designed to achieve system objectives	&	Controls are complete, consistently applied and compliance is good.
<b>Satisfactory</b>	The system of expected control although sound, has elements of weakness thus increasing system objective risks.	& / or	Compliance is generally good but there is evidence of non-compliance with some of the controls.
<b>Limited</b>	The system of controls falls below expectation as weaknesses are increasing system objective risks.	& / or	There is sufficient evidence of non-compliance which puts the system objectives at risk.
<b>Low</b>	The system of control is weak thus significantly increasing system objective risk.	& / or	There is significant non-compliance with controls leaving the system vulnerable to abuse or fraud and significantly increases the system objective risks.

Priority Level	
<b>1</b>	A significant and serious control weakness in the system of internal control – Action is essential
<b>2</b>	A weakness that could undermine the system of internal control and compromise its operation - Action is required as soon as possible.
<b>3</b>	An improvement to the system of internal control in order to comply with best practice, or which offers efficiency savings - Action date to be agreed within a maximum of 12 months

Internal Audit Progress summary

<b>Audit Work completed or in progress 2013/14 plan</b>	
National Non Domestic Rates 13/14	Completed
Housing and Council Tax Benefits 13/14	In Draft
Council Tax 13/14	In Progress
GO Shared Services (GO Module Audits and Client Testing) 13/14 Budgetary Control and Capital Accounting - Main Accounting - Payroll - Accounts Payable - Accounts Receivable	On-going Advice and Support Provision
ICT Review 13/14 – PSN submission	
Grants	
Transparency Agenda	
Annual Governance Statement 2013/14	
<b>Audit Work completed or in progress 2014/15 plan</b>	
<b>Core Audit Areas</b>	
Annual Governance Statement 14/15	
Performance Management 14/15	
Risk Management 14/15	
Governance Compliance 14/15	
ICT Review 14/15	
Housing and Council Tax Benefits 14/15	
Council Tax 14/15	
National Non Domestic Rates 14/15	
GO Shared Services (GO Module Audits and Client Testing) 14/15 - Budgetary Control and Capital Accounting - Main Accounting - Payroll - Accounts Payable - Accounts Receivable	
<b>Other new work planned 2014/15</b>	
Change Management – Cheltenham Trust	
Payment Channels and Income Streams	
Environmental Audit	
Data Protection and Control of Data	



Third Party Schemes and Grants
Transparency Agenda (follow up)
Social Networking
Change Management – Public Protection
Housing – Disabled Facilities Grants
Car Parking

## **Appendix D**

### **Follow-up on recommendations**

#### **Car Parking Regents Arcade**

Based on the work completed, IA can confirm that some system improvements have been made, however some of the issues relating to the Regent Arcade are still outstanding in relation to:

- Parking enforcement,
- Establishment of the most appropriate system for the future collection of car parking revenue at Regent Arcade, within the wider car parking strategy of the Council, and
- Choice of future contractor through use of an appropriate tender process.

These matters do however relate to the wider management of car parking within the Borough given the changes to both available parking and reductions/reorganisation of staffing following loss of the on-street GCC parking agency. As a result it is recommended that a full review of the provision and management of car parking is appropriate in order to ensure that the Council achieves its objectives in this area.