

Cheltenham Borough Council
Audit Committee – 14 January 2015
Internal Audit Monitoring Report

Accountable member	Cabinet Member Corporate Services, Councillor John Walklett
Accountable officer	Head of Audit Cotswolds, Robert Milford
Ward(s) affected	All
Significant Decision	No
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>None specific arising from the recommendation</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 recommendation</p> <p>Contact officer: Peter Lewis, Head of Legal Services, One Legal peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>To Follow</p> <p>Contact officer: Julie McCarthy</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><i>“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).</i></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>

1. Background

- 1.1 The Annual Audit Plan 2014/15 was aligned with the corporate and service risks facing the Council as identified in the consultation with the Senior Leadership Team and supported by such systems as the risk registers. 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 reviewed 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.
- 1.2 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.
- 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 Shared Services impacting on core financial systems and shared services generally impacting on core governance arrangements.
- 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 keep to a more flexible and risk based plan.
- 2.3 It should also be recognised that the service is a partnership, so co-ordinating 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

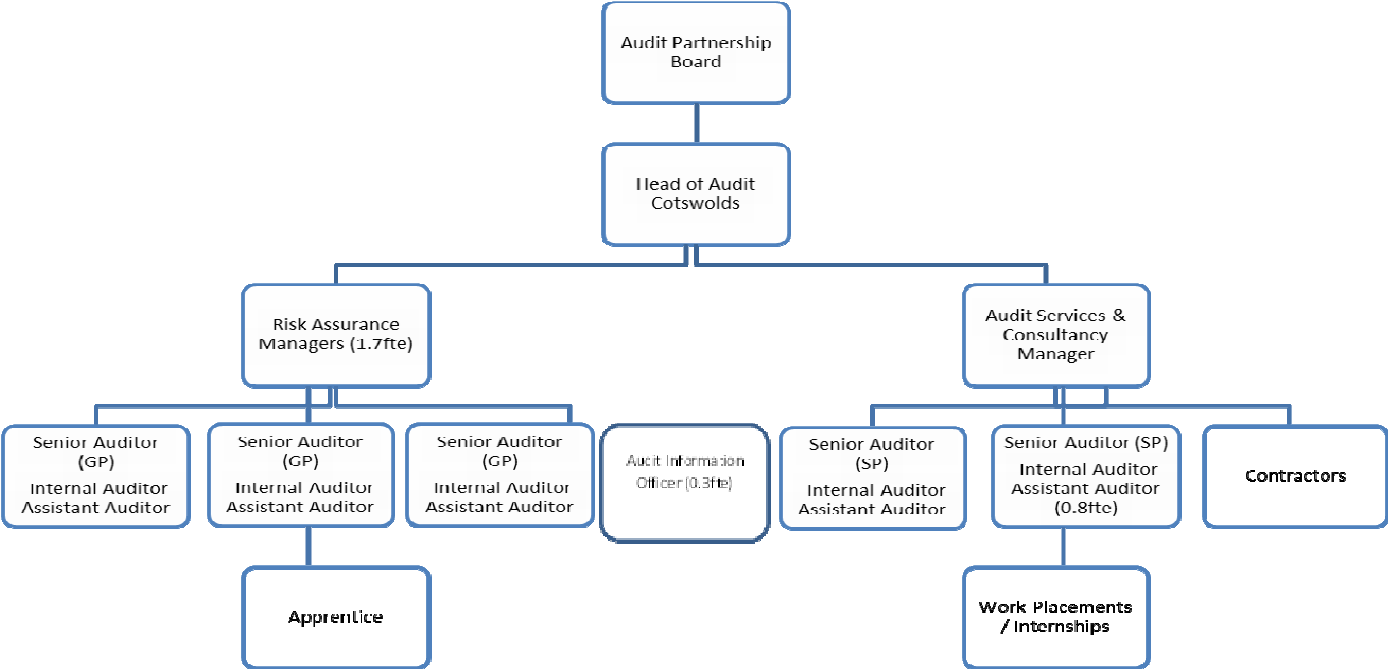
- 3.1 The internal audit service is continuing to review its operational procedures and processes to ensure they align with the Public Sector Internal Audit Standards (PSIAS). Furthermore, the

service is reviewing its structure to ensure it is appropriately resourced and skilled for future work expectations.

- 3.2** The appendices to the report are therefore intended to inform the Audit Committee of progress made regarding the approved work plan for 2014/15 and follow up action that has taken place.
- 3.3** Since the last Audit Committee in September 2014 the service has been through a restructure to ensure it remains fit for purpose in the coming years. The new structure is set out in Appendix A

Report author	Robert Milford, Head of Audit Cotswolds, 01242 775058 robert.milford@cheltenham.gov.uk
Appendices	Appendix A of this report sets out the new Audit Cotswolds Structure. Appendix B to this report sets out the Internal Audit Plan for 2014/2015 updated for progress to date. Appendix C to this report set out the Counter Fraud activity since the last Audit Committee.
Background information	None

New Audit Cotswolds Structure



Internal Audit Progress summary

Audit Work completed or in progress 2013/14 plan	
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 <ul style="list-style-type: none"> - 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	
Audit Work completed or in progress 2014/15 plan	
Core Audit Areas	
Annual Governance Statement 14/15	
Performance Management 14/15	
Risk Management 14/15 – reallocated to other risk works	
Governance Compliance 14/15 – Members Allowances	
ICT Review 14/15 - JSWG	
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 <ul style="list-style-type: none"> - Budgetary Control and Capital Accounting - Main Accounting - Payroll - Accounts Payable - Accounts Receivable 	
Other new work planned 2014/15	
Change Management – Cheltenham Trust	
Payment Channels and Income Streams	
Environmental Audit	
Data Protection and Control of Data	
Transparency Agenda (follow up)	

Social Networking
Change Management – REST project
Housing – Disabled Facilities Grants
Car Parking (Follow-up)
AGM review – new work at CEO request

Counter Fraud Activity

Work has continued in the development of a Counter Fraud Unit (CFU) business case to be presented to the Audit Committee in January 2015. The business case is designed to be an evolutionary approach and to enable the concept of a CFU as a sustainable service to be realised should the existing bid for funding to the Department of Communities and Local Government (DCLG) not be successful.

To date the Senior Benefit Fraud Investigator has been working with Audit Cotswolds and enabled to informally work with other housing providers, thus ascertaining the possible level of resources needed to tackle tenancy fraud under the new powers (Prevention of Social Housing Fraud Act 2013). This work has been successful and the officer has contributed to the recovery of properties (reported to the June 2014 Audit Committee as 20+ properties for 2013/14). This work has continued and has helped the Gloucestershire Tenancy Fraud Forum recover over 100 properties (reported in the Audit Commission's report on Protecting the Public Purse 2014).

National fraud Initiative (NFI) data sets for licensing, payroll, AP, Housing have been submitted as we're on the two year cycle, matches will be released in Jan / Feb. Ctax and elections are due for the annual flexible matching