

Cheltenham Borough Council
Audit Committee – 25 March 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)	Contact officer: Julie McCarthy
Key risks	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>	<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>
<p>Environmental and climate change implications</p>	<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** Since the last Audit Committee Audit Cotswolds activity has centred on the additional Art Gallery & Museum Review. This review is now approximately 2/3rds completed.
- 3.3** 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.
- 3.4** In Appendix A is a record of the progress against the 2014/15 plan
- 3.5** In Appendix B is an update on the Counter Fraud activity.

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Appendices	Appendix A to this report sets out the Internal Audit Plan for 2014/2015 updated for progress to date. Appendix B to this report set out the Counter Fraud activity since the last Audit Committee.
Background information	None

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 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 – in progress	
Risk Management 14/15 – reallocated to other risk works	
Governance Compliance 14/15 – Members Allowances – in progress	
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 - 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 – in progress
Transparency Agenda (follow up)
Social Networking – in progress
Change Management – REST project
Housing – Disabled Facilities Grants
Car Parking (Follow-up)
AGM review – new work at CEO request – in progress

Counter Fraud Activity

On the 5th September a Department of Communities and Local Government (DCLG) bid was submitted for funding to help develop a counter fraud unit that can address the risk of fraud. It is intended to deliver against the Fighting Fraud Locally strategy from DCLG by 'Acknowledging, Preventing and Pursuing' fraud risksⁱ. On the 2nd February 2015 it was confirmed that the bid had been successful and £403,000 will be awarded in April 2015 to our partner Cotswold DC.

Audit Cotswolds having prepared the bid is now moving forward to implement the project framework and processes to establish the Gloucestershire/Oxfordshire Data Gateway programme. The aim of programme is to bring together all Gloucestershire local authorities (and WODC due to Cotswold DC connection) and social housing providers counter fraud provision into a Counter Fraud Hub. Localised data matching and other techniques will be used to generate local intelligence to enable proactive and reactive counter fraud investigation and prosecution. The hub will also connect to the Oxfordshire Hub that is underway with Oxford City as the host.

ⁱ <https://www.gov.uk/government/publications/fighting-fraud-locally-the-local-government-fraud-strategy>