

Cheltenham Borough Council
Audit Committee – 23 September 2015
Internal Audit Monitoring Report

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| Accountable member | Cabinet Member Corporate Services, Councillor John Walklett |
| Accountable officer | Head of Audit Cotswolds Robert Milford |
| Ward(s) affected | All |
| Key/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 |

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| Financial implications | <p>None specifically arising from the recommendation</p> <p>Contact officer: Sarah Didcote</p> |
| Legal implications | <p>None specifically arising from the recommendation</p> <p>Contact officer: Peter Lewis, Head of Legal Services, One Legal <i>peter.lewis@teWKesbury.gov.uk, 01684 272012</i></p> |
| HR implications (including learning and organisational development) | <p>None specifically arising from the recommendation</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> |

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| 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> |
| Property/Asset Implications | <p>None specifically arising from the recommendation</p> <p>Contact officer: David Roberts@cheltenham.gov.uk</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).

3.2 Audit Cotswolds as a service is in the process of updating the audit management software and data analytics tools.

- We are currently soft market testing the new software to administer the audit plans, evidence/testing records, report writing and time recording system. We have been to see the systems in operation at other local authority sites. This is necessary as the service now has multiple clients and the existing systems are inefficient and ineffective, therefore no longer suitable for the service.
- The new systems are also refreshing the tools for testing; IDEA software will be used to test to 100% of certain records and data sets through audits.
- The expected result of this investment is a more streamlined service able to deliver audits in a more efficient and effective manner. Therefore there may be changes to the reports format for this committee.

3.3 Audit Cotswolds has also undertaken the following:

- Commenced provision of a full year of internal audit services to The Cheltenham Trust (TCT). This is a new client for the service. Initially 65 days commenced May 2015.
- We have successfully renewed our contract with our client Cheltenham Borough Homes Ltd for another year following The Cheltenham Borough Homes Audit & Risk Committee decision in September 2015.
- The DCLG Counter Fraud Fund bid on behalf of the Council has been successful and £403k was received 30th April 2015 at Cotswold DC. A more complete counter fraud update is at **Appendix 4**
- Conclusion of the Art Gallery & Museum Overspend review.

3.4 Progress against the audit plan is set out in **Appendix 1**. The table below summarises the work undertaken and an update on its progress.

| Audit | Report status |
|--|---------------------------------------|
| Performance Management | Draft waiting for Management response |
| Governance Compliance – Members Allowances | Draft |
| Data Protection & Control of Data | Draft |
| Income Streams | Draft |
| Transparency | Final |

3.5 Executive summaries of Audits can be found in **Appendix 2**.

3.6 The assurance levels are set out in **Appendix 3**.

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| Report author | Robert Milford Head of Audit Cotswolds robert.milford@cheltenham.gov.uk, 01242 775058 |
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| Appendices | <ol style="list-style-type: none">1. Audit Plan Progress2. Executive Summaries3. Assurance levels4. Counter Fraud Update |
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Appendix 1

| Subject | Outline | Status |
|--|--|---------------------------------|
| CORE GOVERNANCE | | |
| Annual Governance Statement | Support and review of the AGS | Complete |
| Risk Management | Review of the training for service managers | Q4 |
| Performance Management | Focus on performance of projects and programmes and in particular the role and responsibilities of SLT and Cabinet. | Q2 TBS |
| Governance Compliance | HR policy application by service managers: <ul style="list-style-type: none"> • Recruitment & Selection including induction • Capability, Grievance and Disciplinary • Training schemes | In progress |
| ICT | Application audits Shared service support and review | |
| CORE FINANCIALS | | |
| NNDR | Year 2 module of 3 year programme | Q3 |
| Benefits | Year 2 module of 3 year programme | Q3 |
| Council Tax | Year 2 module of 3 year programme | Q3 |
| GOSS | Separate plan but encompasses Finance, Payroll aspects delivered by GOSS | Q3 |
| GOSS - HR | | In progress |
| GOSS – Procurement, Insurance, Health & Safety | | Q4 |
| RISK BASED | | |
| Ubico Client Function | Follow-up to the 2013 audit review with the addition of an examination of client side cost covering client services provided by Gloucestershire Waste Partnership | (?? on hold) In progress |
| Business Continuity | Overall plans, service plans and | Q4 |

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|--|---|------------------|
| Management | service manager engagement | |
| Accommodation strategy and property management | Review of strategy and property management | Q4 |
| Security | Review of buildings and personnel security | Q4 |
| Audit Committee Effectiveness | Review of Audit Committee against appropriate guidance and standards | Q4 |
| Contract management | Review of key contracts including tender processes Plus review of contractor use | Q2 – in progress |
| Task force review | Review of processes and procedures used in the Cheltenham Development Taskforce project | Q4 |
| Safeguarding Adults and Children | Support the Safeguarding peer review and audit | Q4 |
| CONSULTANCY | | |
| REST project support | Support and ongoing advice regarding the REST project | On-going |
| 20:20 vision | Support and ongoing advice regarding the 20:20 project | On-going |
| Other change projects | Support for other projects | N/A |
| Other Audit Work | | |
| Management | Audit Committee, governance and risk groups, high level programmes, etc | N/A |
| Follow-ups | Assessment of recommendation implementation | N/A |
| Contingency | 7% operational contingency | N/A |
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Executive Summary of the follow up of Transparency

Transparency Audit follow-up

This review has been carried out as part of a follow-up to the 2013/14 CBC transparency audit included in the 2013/14 audit plan. The follow-up work was approved by Audit Committee in March 2014.

The purpose of this audit review is to provide Members and senior officers with sufficient levels of assurance that the agreed risk and control recommendations have been implemented by management

Original audit findings

The 2013/14 gave a 'High' level of assurance over the transparency preparations

Follow-up assurance

Based on the sample testing completed as part of this follow-up review, our audit assurance opinion remains at **High**

Our High assurance opinion is based on our follow-up findings - all recommendations have been progressed. Two low priority actions remain partially outstanding with agreed target dates of Q3/Q4, these relate to frequently requested Freedom of Information datasets, and implementation of service level procedure/guidance notes

Management response

Customer Relations and Research Manager - Datasets have been identified and are being produced and made available however capacity within service areas has meant this will not now be complete until September 2015.

Director of Resources - All of the responses to the recommendations within this report were considered by the Director of Resources who is responsible for delivering compliance with the Governments Code of Practice on Transparency. A number have been either completed or progress has been made to implement all of the recommendations.

Appendix 3

Assurance Levels

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

| Assurance Level | IA Opinion – Controls | IA Opinion – Compliance |
|------------------------|---|--|
| High | The system of control is sound and designed to achieve system objectives | Controls are complete, consistently applied and compliance is good |
| Satisfactory | The system of expected control although sound, there are opportunities for improvement to further reduce system objective risks | Compliance is generally good but there is evidence of non-compliance with some controls |
| Limited | The system of controls falls below expectation as weaknesses are increasing system objective risks | There is sufficient evidence of non-compliance which puts the system objectives at risk |
| Poor | The system of control is weak thus significantly increasing system objective risk | There is significant non-compliance with controls leaving the system vulnerable to abuse or fraud which significantly increases the system objective risks |

Counter Fraud Update

Current Operations

- Agreed extension of work for CBH / CBC – targeting social housing
- Ongoing tenancy fraud cases for CBH
- Ongoing Council Tax Reduction Scheme investigation and Single Point of Contact work for CBC
- Agreement with CBC to work proactively on the non-returned Single Person Discount forms to include penalties
- Joint Case with Gloucestershire County Council
- Draft SLC to neighbouring authority, including secondment of CBC officer, for reactive and proactive fraud work for the Council as a whole – reporting to their S151 Officer
- H&S work stream to ensure lone working policies and personal safety protocol in place
- General drafting and implementation of appropriate policies, legal contracts / documentation and data sharing agreements
- Project implementation re county wide data warehouse system

Project Documentation

- Project Initiation Document (PID) is in production and is expected to present to Gloucestershire Chief Finance Officer Group meeting September.
- Timeline in production
- Financial forecast and models being developed

Timeline

- Software demonstrations underway
- Schedule of works for Local Authority's within the area being developed
- The Section 101 agreement is expected to take at least 6-8 months. Section 113 secondments with Service Level Agreements being used temporarily.

Planned work streams

- Awaiting work approval from neighbouring authority to discuss a provision of services utilising a section 113 agreement for the short term (18 months)
- Planned to mirror agreements and work at other authorities in Gloucestershire
- More structured approach and agreement with regard to fraud work

Software procurement

- We are developing the requirements document which will lead to the selection process for the data matching software.
- We are aware of the software solution being implemented by a neighbouring hub. This will influence the procurement process – in-line with the DCLG bid.