Cheltenham Borough Council
Audit Committee – 21 September 2016
Internal Audit Monitoring Report

Accountable member	Cabinet Member Corporate Services, Councillor Jon Walklett
Accountable officer	Lucy Cater, Head of Internal Audit (Operational)
Ward(s) affected	**All**
Key/Significant Decision	**No**
Executive summary	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. 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.
Recommendations	**The Audit Committee considers the report and makes comment on its content as necessary** **That the Audit Committee notes the updated assurance levels and priority ratings to be applied for 2016/17**

Financial implications	There are no financial implications arising from the report recommendations. **Contact officer: Sarah Didcote** *Sarah.Didcote@Cheltenham.gov.uk, 01242 264125*
Legal implications	**Nothing specific arising from the report recommendations.** **Contact officer: Peter Lewis, Head of Legal Services, One Legal** *peter.lewis@tewkesbury.gov.uk, 01684 272012*
HR implications (including learning and organisational development)	**No Comment Received** **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.

Corporate and community plan Implications	*"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*). Therefore the internal audit activity impacts on corporate and community *plans.*
Environmental and climate change implications	Relevant to particular audit assignments and will be identified within *individual reports.*
Property/Asset Implications	None specifically arising from the recommendation **Contact officer: David Roberts@cheltenham.gov.uk**

1.   Background

1.1   The Annual Audit Plan 2016/2017 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   Progress against the Audit Plan (including 2015/2016 audits that were outstanding) and assurances given, is set out in **Appendix 1.**

3.1.2   The following summarises some of Audit Cotswolds work in progress to date:

<u>Completion of 2015/2016 audits</u>

Since the last Audit Committee we have finalised:

- The GOSS Personal Security audit
- Council Tax and NNDR audit
- Housing Benefits audit
- Contract Management audit
- Performance Management (Programmes and Projects) audit
- Performance Management (Staff Performance) audit
- GOSS - Payroll

The Executive Summaries (including assurance levels) for these audit reviews are attached at **Appendix 2**, and the rationale for the audit assurance levels are attached at **Appendix 3**

We have issued draft reports in respect of:

- Safeguarding Adults and Children
- Security

<u>Progress on the 2016/2017 Audit Plan</u>

Audit reviews have commenced in the following areas:

- Risk Management
- GOSS HR – Starters and Leavers Process
- Garden Waste Charging
- NNDR (Business Rates) Relief
- Fleet Management
- Food Safety

In accordance with the Shared Service Internal Audit Protocol for 2016/17 Audit Cotswolds and the South West Audit Partnership (SWAP, the auditors for the Forest of Dean DC) will undertake specific audits that fall within the 2020 Partnership, and give assurances to each other over compliance and systems of control. These assurances, and executive summaries of the reports, will be included as part of the monitoring report when they are finalised. The following table lists the audits to be undertaken in this manner.

Auditable Area	Audit to be Undertaken By	Assurance to be Given to
ICT	SWAP	CDC, CBC, WODC by Audit Cotswolds FoDDc by SWAP
Business Rates Pooling	SWAP	CDC, CBC by Audit Cotswolds FoDDC by SWAP
Private Water Supplies	SWAP	CDC, WODC by Audit Cotswolds FoDDC by SWAP
Review of the Outcome of the Gloucestershire Joint Waste Committee	SWAP	CDC, CBC by Audit Cotswolds FoDDC by SWAP
GOSS HR – Starters and Leavers	Audit Cotswolds	CDC, CBC, WODC by Audit Cotswolds FoDDc by SWAP
Garden Waste	Audit Cotswolds	CDC, CBC, WODC by Audit Cotswolds FoDDc by SWAP
Food Safety	Audit Cotswolds	CDC, CBC, WODC by Audit Cotswolds FoDDc by SWAP
Building Control	Audit Cotswolds	CDC, WODC by Audit Cotswolds FoDDc by SWAP

3.2   Other Internal Audit Involvement

We undertook an independent review for the recent Enforcement Tender following a request from the Procurement Business Partner

3.2.1   In support of internal audit standards compliance, and to aid with the complexities of managing an internal audit service over seven clients, we have procured an Audit Management Software system. During May, June and July we designed and built the system in accordance with our working practices and specifications with a view to improving our current processes and make the service more cost efficient for our clients. The Audit Team has received training on the system and since writing this report we are due to go live in September 2016. Attached at **Appendix 4** are the new audit assurance levels and priority ratings that will be applied to all audits with effect from 2016/2017.

3.3   During June, Audit Cotswolds and the South West Audit Partnership were invited to submit proposals for providing the Internal Audit service to the 2020 Partnership, and to each of the four partners Councils, which includes the provision of the service to Cheltenham BC, with effect from 1st April 2017. The Audit Cotswolds' proposal was drafted by two members of the team, in accordance with the set criteria, and was submitted on 1st July 2016. A presentation was made to the evaluation panel who are assessing the proposal. As this was a significant piece of unplanned work, we secured additional funding and we have used this to employ a temporary contract auditor so we can continue to meet our obligations to our clients.

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Appendices	1. Audit Plan Progress
	2. Executive Summaries
	3. Old Assurance Levels
	4. New Assurance Levels and Priority Ratings

Cheltenham Borough Council (CBC) Internal Audit Monitoring

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
Audits outstanding as in the 2015/2016 Internal Audit Opinion			
NNDR	Year 2 module of 3 year programme	Final Memo	Satisfactory
Housing Benefits	Year 2 module of 3 year programme	Final Memo	Satisfactory
Council Tax	Year 2 module of 3 year programme	Final Memo	Satisfactory
GOSS – Finance Systems	Payroll	Final Report	Satisfactory
GOSS – Procurement, Insurance, Health & Safety	Health and Safety audit undertaken as part of Security Audit	Final Report	Limited
Accommodation and property management	Review of strategy and property management	Work to be completed in 2016/17	
Security	Review of buildings and personal security	Draft Report	
Safeguarding Adults and Children	Support the Safeguarding peer review and audit	Draft Report	
Contract Management	Review of key contracts including tender processes, plus review of contractor use	Final	Limited
Performance Management	Completion of 2014/2015 audit. Review concentrated on Staff Performance	Final	Satisfactory
Art Gallery and Museum	Follow-up of the recommendations made in the Art Gallery report	Follow up in progress	
Car Parking	Follow-up of the report submitted to Audit Committee in September 2015	Follow up in progress	
2016/2017 Internal Audit Plan			
Section 1 - Core Governance and Core Finance Audits			
Annual Governance Statement	Support for and review of the production of the Annual Governance Statement and sample elements of the supporting information	Complete	
Audit Committee Effectiveness (Annual)	Annual review of the Audit Committee against appropriate guidance and standards		
Internal Audit Self-Assessment (Annual)	Annual self-assessment of Internal Audit's performance against the Public Sector Internal Audit Standards (PSIAS)		
Risk Management	Selection of risks from registers and mitigating controls and actions to test their effectiveness	In progress	
ICT Audit to be conducted by SWAP	Scope of 2016/17 to be confirmed		

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
Council Tax Benefit	A review of an element of the Council Tax Benefit process, the programme of activity ensures full coverage of the service over a 3 year cycle		
Council Tax	A review of an element of the Council Tax process, the programme of activity ensures full coverage of the service over a 3 year cycle		
NNDR (Business Rates)	A review of an element of the NNDR process, the programme of activity ensures full coverage of the service over a 3 year cycle		
GO Shared Service (GOSS) Audits	**Days allocated to the following Audits are CBC's element of the GOSS Audit Plan**		
Main Accounting, Budgetary Control and Capital Accounting	A review of an element of the operating systems, the planned programme of activity ensures full coverage over a 3 year cycle. Assurances are sought for the GOSS controls operating in respect of its Clients and transactional testing is performed for each of the Clients		
Treasury Management and Bank Reconciliations			
Payroll			
Accounts Receivable (Debtors)			
Accounts Payable (Creditors)	Transactional Testing for each client, assurance over GOSS controls to be informed by SWAP auditors (the Forest of Dean DC's Internal Audit Team)		
Systems Administration of Agresso Business World (ABW)	A review of the operating system and the controls in place		
Human Resources Review to include FoDDC	A review of a Human Resources area. Scope for 2016/17 audit to be determined with GOSS Officers Scope of the audit is the Starters and Leavers process and will include HR and ICT Processes	In Progress	
Other GOSS Area	A review of Procurement / Health and Safety / Insurance. 2016/17 audit to be determined with GOSS Officers		
Section 2 - Risk Based Audits			
Employee Turnover	Review of the controls in place to mitigate against loss of staff. How are management addressing the risk, identification of the reasons for staff turnover, are mitigating actions effective		
Risk and Control Implications of Meeting the Funding Gap	Achievement of proposed financials in MTFS looking at the assessment of risks and achieving these projections (income / savings)		
Garden Waste Review to include FoDDC	Review of the processes and systems used for the charging of green waste. Looking at efficiencies, standardising processes etc.	In Progress	
Business Rates Pooling Audit to be conducted by SWAP	Audit of pooled assets (what / how / how are they reported), calculation of appeals. Suggestion from CBC Audit Committee		
NNDR (Business Rate) Reliefs	Review of NNDR Reliefs ensuring that the correct relief has been added to accounts in accordance with legislation	In Progress	
Fleet Management	Review of the management of fleet by Ubico on behalf CBC (and CDC) to include the replacement of vehicles, purchase and recharging	In Progress	
Planning Application Process	Review of the planning application process to ensure compliance with statutory legislation in respect of the processing cycle	In Progress	

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
Food Safety Review to include FoDDC	Review of the policies and procedures in place in respect of Food Safety to ensure compliance with the introduction of the new act which comes into effect from 1st April 2016		
Section 3 - Advice and Consultancy			
New Housing and Planning Act	Review of the introduction of the New Housing and Planning Act - ensuring the Council is ready / prepared for the new act	Background research commenced	
Community Infrastructure Levy (CIL)	Support for the CIL process ensuring that the Council is prepared for the introduction of CIL	Background research commenced	
Charging Mechanisms	Review of the charging mechanisms to include statutory and discretionary charges and the potential generating, or increasing income, from some service areas		
Review of the outcomes of the Gloucestershire Joint Waste Committee Audit to be conducted by SWAP	A review to ascertain if the Gloucestershire Joint Waste Committee is delivering the outcomes envisaged when it was established		
2020 Vision Programme	Support for the 2020 Vision Programme and Projects		
Change Programmes	Support for other change programmes / projects		
Section 4 - Other			
Management	Preparation of IA Monitoring Reports and preparation and attendance at Audit Committee. Annual Audit Planning. Attendance at Governance and Risk Groups. High level programme monitoring. Liaison meetings with CFOs and Management Teams.		
Payment Channels and Income Streams Follow-Up	Follow-Up testing of a 'Limited Assurance' Audit	In Progress	
Contract Management	Follow-Up testing of the 2015/16 'Limited Assurance' Audit		
GOSS – Health and Safety	Follow-Up testing of the 2015/16 'Limited Assurance' Audit		
Enforcement Tender Review	Ad-hoc piece of work. Review of enforcement tenders (CDC, CBC, WODC, TBC, FoDDC) due to one point difference in scoring. Days to be taken from Contingency	Complete	
Follow Up Audits	Follow Up of Previous Year Audits		
National Fraud Initiative	On-going Support for the Scheme		
Contingency	New Work and Investigations		
Audit Management Software	Design and Build the new Internal Audit Management Software to our specifications	Complete	
Audit Cotswolds 2020 Proposal	Drafting the proposal for providing the Internal Audit service to 2020 and the four partner Councils	Complete	

Executive Summary for Performance Management (Staff Performance)	
Assurance	Satisfactory
Background	

This review on Performance Management was conducted as part of the core audit programme planned for 2014/15 as approved by the relevant Audit Committees at Cheltenham BC, Cotswold DC and West Oxfordshire DC. The finalisation of this audit has been significantly delayed due to resource issues in the service area and the long term absence of the Head of Audit Cotswolds.

Overview and Key Findings

Previous Performance Management reviews have focussed on arrangements at service and corporate levels reviewing how the council monitors and measures performance against set indicators and outcomes. As the overall performance of the council starts at staff level, we have reviewed systems and processes designed to aid and improve staff performance in order to support and ensure delivery of corporate aims and objectives.

The Learning & Organisational Development (L&OD) service, one of the services provided by the GO Shared Services, provides support for learning and development across the partner authorities. Corporate learning & development training is provided through an online self-service tool, the Learning Gateway (LG), as well as sessions delivered by the L&OD service. Service managers are responsible for delivering on the job training activities, completion of professional qualifications and ensuring compliance with Continuing Professional Development (CPD) requirements.

Staff development and training needs are identified and documented in the annual appraisal process which then feeds into the LG so that appropriate corporate training can be provided. Our testing identified that the appraisal process is being undertaken, however, the LG is not used effectively due to a lack of engagement with the system. Service managers commented that there were too many courses which were not relevant for service needs. In addition, requested courses that involved external providers were not being provided as budget restrictions prevent some external delivery. We were further advised that due to resource constraints, regular monitoring of the LG had not been undertaken and therefore some training requests had not been actioned; a new member of staff has since been appointed to manage the LG.

Where training courses are provided through external providers, recharging arrangements are in place. However, our testing identified that processes are not as robust as expected. If recharges are not appropriately managed, there is a risk that one authority could be subsidising the training costs of another authority. Under the new 2020 shared working arrangements, a robust mechanism for recharging will be considered.

At the time of audit, L&D management information was provided to the Client Officer Group (COG), Joint Liaison Forum (JLF) and Corporate Teams but there was no evidence to support that the measurement of individual performance improvement was being effectively monitored or reported. It is recommended that going forward into 2020 a clearer reporting process Is required and to be developed as part of the reporting process to the new Joint Committee.

Continuing Professional Development (CPD) refers to the process of tracking and documenting the skills, knowledge and experience required to demonstrate competency in a given profession and is a line manager's responsibility and does not fall under the remit of L&OD. Our review identified that there is no corporate record to identify those service areas that require CPD compliance. It is recommended that consideration is given to the compilation of a central database for roles within the organisation where CPD is integral to service delivery and that managers are reminded of their responsibility in respect of their staffs' CPD.

To improve the control environment we have made recommendations relating to the use and promotion of the LG, review of recharging arrangements, the monitoring and reporting of performance

improvement and the monitoring of CPD compliance.

Conclusion

At the point of the original testing we concluded that a limited assurance was appropriate for the controls and processes that were in place.

Due to the delay in the completion of this audit, we have revisited the audit area and can confirm that due to the work that has been undertaken since the audit and the work to be undertaken going forward into 2020; we can increase the assurance opinion to satisfactory.

Management Response

The Learning and Organisational Development provision will form part of the development of the 2020 strategy and will also consider how learning and organisational development is provided to the new organisation. Consideration will also be made as to how managers will support their teams' development to ensure they have the appropriate knowledge and skills to undertake their duties.

Executive Summary for Security 2015/2016 : Personal Security	
Assurance	**Limited**

Introduction

A review of Council security was undertaken as part of the 2015/2016 risk based internal audit plan, approved by Audit Committee in March 2015. During the review we identified a number of matters relating to policies and personal security which is the responsibility of the Councils Health & Safety Division (part of GO Shared Services). This additional report remains under the original scope of the Security audit.

Overview and Key Findings

Corporate Policies

In May 2015 GO Shared Services Health & Safety (GOSS H&S) issued generic policies across all GOSS clients covering: Fire Safety, Violence at Work, Lone Working, and Control of Contractors. Our review found that not all current policies had been published. Consideration should be given to ensuring up to date policy information is available to all staff.

Fire and First Aid provisions

The emergency evacuation plan was last updated in January 2015; we noted that since then a number of personnel changes have occurred which should be updated. We also noted that the evacuation drill was overdue.
The First Aid Policy available to officers on the intranet was last updated in 2010. We understand that First Aid provision is currently being reviewed across the GO partner Councils and updates will be available in due course.

Service Area personal security procedures

In accordance with corporate policies, services in which officers undertake lone working or are at risk of exposure to aggression or abuse require: documented procedures, produce suitable information, instruction, training and supervision to ensure the personal safety of their officers. Testing highlighted this was not occurring in a number of service areas. GOSS H&S should gain assurance that all service areas are following the guidelines described within the associated policies and report accordingly.

Management Response

This Audit report is well received and acts as a catalyst to areas of work already identified by GOSS Health and Safety Manager as needing review.

In particular Corporate Health and Safety Policies, their update and communication to Service Managers is a high priority area.

In terms of compliance with the Regulatory Reform Fire Safety Order (2005) the HS team had recognised need for greater ownership at corporate level – placing less dependence on the Property Services Department.

Likewise, managing Aggression and Lone Working are currently being reviewed to improve Procedures.

Implementation of this audit and its recommendations is well underway.

This report is well received and will help Cheltenham Borough Council to reduce risks to employees, contractors and members of public.

GOSS Health and Safety Audits will also confirm implementation of these recommendations in a wider context of compliance.

Mark Lane, GOSS HS Manager

Executive Summary for Performance Management (Programmes and Projects)	
Assurance	**High**

Overview and Key Findings

This audit review was to verify whether the performance of projects is being adequately monitored and controlled, by means of project/programme management processes, and to test processes by examining a sample of current projects.

One definition of a project is "a unique set of co-ordinated activities, with definite starting and finishing points, undertaken by an individual or team to meet specific objectives within defined time, cost, quality, and performance parameters" (Office of Government Commerce). The process of project management is to ensure that specified objectives are attained within the parameters set

We found that the Business Development Manager has produced a set of project management document templates to be used in CBC projects, as well as a set of guidelines for staff using this methodology. These are to be followed in all but exceptional circumstances.

In order to verify whether project management processes were operating adequately in CBC we examined two discrete projects: the Cheltenham Crematorium Development project, and the Accommodation Strategy Programme.

We obtained sufficient documentary evidence and explanations for both of the above to provide assurance that project management is operating satisfactorily with regard to these.

We sought to verify that the recommendations arising from our report on the Art Gallery and Museum overspend had been implemented in the two projects we examined. We were able to confirm that the recommendations had been implemented both in the Accommodation Strategy Programme and in the Crematorium Development project.

On the basis:

•   Of the work we have carried out, and
•   that all CBC projects use the standard project management methodology (except in exceptional circumstances when a derivative or alternative process of at least equivalent formality and standard should be used)

We made no recommendations as a result of this audit.

Memo

To: Paul Aldridge, Benefits Manager

From: Jamie Woodward, Internal Auditor

CC: Lucy Cater, Head of Internal Audit (Operational)

Date: 20th July 2016

Subject: 2015/16 CBC Housing Benefit Audit

1. Introduction

This review on Housing Benefit is in accordance with the 2015/16 Audit Plan agreed with CBC Audit Committee.

This memo is an interim report on our testing of the key controls and walk through of the overpayment recovery processes. We undertake the whole system review on a modular basis covered over a 3 year period. The assurance offered therefore takes into account the findings from our 2 previous years, as well as work undertaken in this review.

2. Audit Findings

Recovery of Overpayments

We reviewed the Housing Benefit overpayment process to ensure that processes were in accordance with procedures.

Recovery actions for HB overpayments are undertaken within the Civica system.
When an overpayment is identified, the Overpayment Officer will complete various system and record checks to confirm the debt is correct. When they have confirmed the debt they raise an invoice and, where required, enter into appropriate recovery discussions with those claimants in receipt of benefits.

Walkthrough testing demonstrated that appropriate processes were operating; where recovery actions had been unsuccessful the write off procedure applied was
in accordance with policy.

Reconciliation Processes

We can confirm that reconciliation of Housing Benefit to the general ledger (Agresso) is being completed each time a payment file is created by the Finance/Overpayment officer. Reconciliations of Subsidy, BACS, Council tax support and Sundry debt within the debtors system were confirmed.

Implementation of 2014/15 recommendations

We have also reviewed the implementation of the recommendations made in our 2014/15 review and can confirm that these have been progressed. We are aware that business continuity arrangements for the service are being addressed; this was as a result of another audit.

3. Recommendations

We can confirm that for the high level audit of key controls we have performed, the controls in place were effective.

4. Conclusion

Based on the work undertaken and consideration of our previous 2 year's audit assessments, we can confirm that a '**Satisfactory**' assurance opinion can be offered over the control environment operating at CBC for the Housing Benefit system.

5. Management Response

With regard to the outstanding issue of business continuity testing, I can confirm that the new shared 2020 ICT service business continuity plan has been saved in the Corporate BCP shared drive and covers the continuity arrangements across the four partner councils, Cheltenham Borough Homes, Cheltenham Trust and Ubico.

A full DR exercise has recently taken place on the Go "Agresso" systems and all applications were successfully restored within 5 hours. Similar testing across other applications including Revenues & benefits is due to take place over the next eighteen months and I will update you on progress when you start the 2016/17 audit.

Universal credit has been live in Cheltenham since June 2015 for single unemployed people of working age, with all other groups due to go live in the summer of 2017. The migration of existing working age cases is due to take place in 2019 with pension age cases not being looked at until 2022. Over the next three years the benefit service will experience significant change as our working age caseload transfers to universal credit.

Paul Aldridge
Benefit Manager

Memo

To: Jayne Gilpin, Revenues Manager

From: Jamie Woodward, Internal Auditor

CC: Lucy Cater, Head of Internal Audit (Operational)

Date: July 2016

Subject: 2015/16 CBC Council Tax Audit
           2015/16 CBC NNDR Audit

1. Introduction

This review on Council Tax and NNDR is in accordance with the 2015/16 Audit Plan agreed with CBC Audit Committee.

This memo is an interim report on our testing of the key controls for Council Tax and NNDR systems and processes. We undertake the whole system review on a modular basis covered over a 3 year period. The assurance offered therefore takes into account the findings from our 2 previous years, as well as work undertaken in this review.

2. Audit Findings

Recovery Processes

We reviewed recovery processes to verify that they were in accordance with procedures. Testing identified that appropriate processes were operating; where recovery actions had been unsuccessful the write off procedure applied was in accordance with the policy.

Reconciliation Processes

Daily cash files for Council Tax and NNDR from the Civica cash receipting system are entered onto the cashbooks daily. A financial control report is produced from the Civica Council Tax system to confirm they are in balance. We found that suspense items were being investigated and actioned by the Revenues lead officer.

Reconciliation of the Civica cash books to the Council's main accounting system, Agresso (ABW) is undertaken every 2 weeks. Any miss-postings or errors are identified and corrections made in a timely basis. Testing confirmed that this process was operating effectively.

2015/16 year end reconciliations for Council Tax and NNDR had been performed by the Revenues Manager in-line with the Financial Rules.

Evidence was also provided demonstrating the application of NNDR Multipliers for 2015/16 and small business non-domestic rate relief. The Council Tax Base and Band calculations were included within the Council Tax financial control report.

Implementation of 2014/15 recommendations

We have also reviewed the implementation of the recommendations made in our 2014/15 review and can confirm that these have been progressed. We are aware that business continuity arrangements for the service are being addressed. This was as a result of our review of another audit on business continuity management.

3. Recommendations

We can confirm that for the high level audit of key controls we have performed, the controls in place were effective.

4. Conclusion

Based on the work undertaken and consideration of our previous 2 year's audit assessments, we can confirm that a '**Satisfactory**' assurance opinion can be offered over the control environment operating at CBC for the Council Tax and NNDR systems.

5. Management Response

I'm happy with this and don't have anything to add.

Jayne Gilpin
Revenues Manager

Executive Summary for Payroll 2015/2016	
Assurance	Satisfactory

Overview and Key Findings

The Payroll review was conducted as part of the core audit programme for 2015/16 as approved by the relevant Audit Committees and Boards in March 2015.

This review is carried out over a 3 year cycle, with 2015/16 being the second year of this cycle.

The focus of the review was on:
- Maintenance of records and calculation of entitlements
- Maintenance of employee records (starters / leavers / variations)
- Maintenance of employee records (HMRC / NI / P45)
- Maintenance of employee records (car users)
- Mileage and Expense claim sample testing to include casual, overtime, shift and standby payments

The audit review covered:
- The management of processes undertaken by GOSS on behalf of client organisations
- That processes comply with Financial Rules and other Client based policies and standards
- Follow-up and test the recommendations agreed in the previous audit
- An assessment of the GOSS performance levels and KPIs

We have undertaken sample testing and review of payroll processes undertaken by GOSS HR/Payroll in the areas identified above. We can confirm that on the whole sound processes and procedures are operating which ensure that an effective service is provided to the clients.

Processes comply with Financial Rules and other client based policies, however, our testing has identified instances where payments have been made that do not comply with the respective authority's policies. We have recommended that GOSS should report instances of non-compliance so they can be appropriately actioned.

Our follow up work to assess the implementation of our previous recommendations has found that progress has not occurred as planned. We are aware that changes are planned to the GOSS intranet as part of the 2020 Vision Programme and that work has started on closer working across the two Payroll Business Centres to improve consistency in working practices. However due to the Milestone 4 Upgrade and the 2020 Agresso project further progress has not been made at this current time.

We can confirm that performance data is reported to the GO Client Officer Group.

We have made recommendations that if addressed should strengthen the overall control environment. Based on the work completed and taking into account our previous years' assessment, we can conclude that a 'satisfactory' assurance opinion can be given.

Management Response

The GOSS HR and Payroll Business Centre teams have again demonstrated a high standard of application of various processes in a very complicated multi-client environment.

The areas highlighted and the recommendation mainly fall outside the remit and authorisation of the GOSS Business Centres, however we are happy to support and guide where necessary. It should however be noted that it is the responsibility of the line manager signing off the various forms that they comply with the relevant applicable policy.

The management team will email clients to raise awareness of the importance of ensuring line managers are familiar with the policies that apply to the individuals claim. This is particularly important within the 2020 new shared services team and Ubico where multiple terms and conditions can apply within one team.

Well done teams.

Executive Summary for Contract Management	
Assurance	**Limited**

Overview and Key Findings

This review of contract arrangements and management for supplies and services procured by the Council was undertaken in accordance with the 2015/16 Audit Plan as approved by Audit Committee in March 2015. The focus of the audit was on:

- Reviewing actual spend over that last 2 years to establish the contracts that fall within the contract letting categories and to compare these with the formal Contracts Register.

- Sample testing suppliers to ensure compliance with Procurement, Contract and Financial Rules.

This review has not covered contract management activities where service level agreements are in place but, has instead sought to provide assurance over day to day contract expenditure.

The Procurement & Contract Management Strategy was approved by Cabinet in July 2015. This strategy along with the revised Contract Rules (which incorporate the February 2015 changes to legislation) and the Financial Rules provide a framework to ensure compliance with procurement processes. The GOSS Procurement Team has also developed a Procurement Toolkit providing detailed guidance which is easily accessible to all staff. At the time of the audit, further training was also being developed.

We can confirm that officers are aware of the basic requirements of the Contract Rules including waiver processes. However, there were instances where cumulative expenditure had exceeded the limits as prescribed within the Contract Rules and on occasion a lack of understanding of the application of the Rules. Also there was little awareness of the requirement to publish contracts on the Council's formal Contracts Register. Our analysis found that only 36 out of 202 suppliers/contracts paid, during the period April 2014 to July 2015, had been published as per the UK Public Contracts Regulations.

We also found the on-going monitoring of contracts could benefit from improvement.

In summary, we can confirm that contract management arrangements are not as robust as expected. Although, there is an awareness of the Contract Rules, full compliance is not being observed. We have made recommendations to improve the control environment. At this stage we are able to offer a 'limited' assurance opinion.

Management Response

The Procurement and Contract Management Strategy was developed for all GOSS/2020 partners to provide a framework to ensure compliance with not only the procurement processes; but in recognition that contract management across the partnership was weak.

Revised Contract Rules were developed by GOSS Procurement in conjunction with One Legal to incorporate the requirements of The Public Contracts Regulations 2015; CDM Regulations 2015; and the Local Government Transparency Agenda 2015.

CBC approved the Contract Rules in December 2015, and a Procurement Training Programme was developed to cover all of the above, advertised to service managers and on the Intranet with four dates two in December and two in January 2016. These sessions were attended by only a handful of officers. Training was also delivered to service teams, Built Environment and Project and Programme Management. In total across the partnership 29 x 1.5 hour sessions were delivered.

This training programme was delivered to all GOSS/2020 partners in October and November with the exception of Ubico Limited whose revised Contract Rules are due to be presented to their Board in June 2016 for approval.

The training at all other partners was very well attended compared to the sessions at CBC. GOSS Procurement has recommended previously that Contract Rules training should be mandatory for all officers who are responsible for procurement expenditure.

Further development of the common toolkit guidance and templates, and a common e-Procurement portal which will be utilised by officers as the corporate compliance tool for all requests for quotations, tenders and proportionate contract management will provide improved compliance.

Further Contract Rules training is to be scheduled for all 2020 partners in the autumn, and for CBC this has been provisionally scheduled for September 2016. Due to resource issues this will be delivered in conjunction with the various legal teams. This training will cover the toolkit and introduction to e-Procurement portal for those not having used to date.

GOSS Procurement are now providing the procurement service with three officers to all GOSS/2020 partners, but are to provide advertised quarterly workshops to all partners to assist with compliance and provide guidance of best practice and updates on legislation.

We have also been in discussion with Learning and Development to develop an e-learning offering which will reinforce the quarterly training.

However, as stated above we believe that training attendance covering the compliance and the full procurement cycle should be decreed as mandatory by Senior Leadership Teams, as there is still apathy towards the observation of the Contract Rules in accordance with legislation.

To help with this the adoption of the No PO, No Pay (No Purchase Order, No Payment) across all partners would tighten the control on procurement expenditure and at Accounts Payable. CBC has adopted this but it needs to progress further with supplier invoices (apart from those on exceptions list) not quoting a purchase order to be returned to the supplier.

Since February 2016, Agresso Requisitions £10k and above in value for all GOSS/2020 partners have been routed to GOSS Procurement for 'technical approval' prior to routing to cost centre/budget holder for approval.

The purpose of this 'technical approval' is two-fold to educate officers of the need to comply with Contract Rules and reject requisitions that have blatantly have not complied with any aspect including advertising and no legal contract signed. To date across the partnership there have been 41 rejections mainly for no legal contract. In addition there have been a further 32 'compliant' requisitions across the partnership where the requisitions have been raised prior to the contract being signed and legal teams are in receipt. This monitoring process will be used to identify follow up training to managers and staff in accordance with recommendation 3 and 5 below.

For compliance with Local Government Transparency Agenda, GOSS Procurement has written Agresso Reports to cover all expenditure of £5k value and above to identify any 'missings' from the expenditure reported to us for publication on the Contracts Register. This also identifies areas of non-compliance and need for training.The combined actions that GOSS Procurement have, and are taking as recorded in the Action Plan below will provide the infrastructure and processes to ensure compliance. However, this has to be with the SLT's and Group Managers impressing on their staff the importance attendance at training, compliance, and cooperation of Service Managers and their staff

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	&/or	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	&/or	There is sufficient evidence of non-compliance which puts the system objectives at risk
Poor / No	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 which significantly increases the system objective risks

Assurance levels 2016/2017

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

Assurance Level	IA Opinion - Controls
High	Compliance with policies and procedures is good and adhered to, in the areas reviewed. Internal controls, in place, operate effectively. Risks against the achievement of the client's objectives are well managed.
Good	There is a sound system of compliance and internal control, designed to achieve the client's objectives, in the areas reviewed. The control processes tested are being consistently applied. Although risks are well managed and there is no fundamental threat, internal controls still need to be monitored.
Satisfactory	Some evidence of non-compliance identified and / or weaknesses in the system of internal control, in the areas reviewed. The level of non-compliance could present a risk to the achievement of the client's objectives. Introduction or improvement of internal controls is required.
Limited	Sufficient evidence of non-compliance and / or weaknesses in the system of internal control, in the areas reviewed. Essential action needed by management to reduce the level of risk to the achievement of the client's objectives.
No	No assurance can be given over compliance and / or internal controls. Immediate action needed by management to address the risk issues, in the areas reviewed.
Not Applicable	Assurance level is not applicable due to the nature of the work undertaken.

Priority Ratings 2016/2017

Priority Ratings are attached to each recommendation made in an audit review. The table below sets outs the rationale for the priority ratings and the suggested timescale for the implementation or action for the agreed recommendation

Priority Rating	Description
Critical	A significant and serious control weakness in the system of internal control. This will also include, for example: No evidence of policies and procedures, non-compliance with legislation or authority policies or non-compliance with authority financial and procurement rules. Immediate action is essential.
High	A weakness which could undermine the system of internal control and compromise its operation. Action is required as soon as possible.
Medium	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.
Low	Recommendations requiring action by management to improve control, although the achievement of objectives is not fundamentally threatened.
Observation	Observations presented for management consideration only, as they represent a suggested improvement in management of the risks.