

Cheltenham Borough Council
Audit Committee – 22 March 2017
Internal Audit Monitoring Report

Accountable member	Cabinet Member Corporate Services, Councillor Roger Whyborn
Accountable officer	Lucy Cater, Acting Head of Audit Cotswolds
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

Financial implications	<p>There are no financial implications arising from the report recommendations</p> <p>Contact officer: Sarah Didcote, GOSS Business Partner Manager sarah.didcote@cheltenham.gov.uk 01242 264125</p>
Legal implications	<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>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	Relevant to particular audit assignments and will be identified within individual reports.
Property/Asset Implications	Contact officer: David Roberts@cheltenham.gov.uk

1. Background

- 1.1 The Annual Audit Plan 2016/17 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

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).

3.1 Some progress has been made with regard to the transfer of Audit Cotswolds staff to the South West Audit Partnership (SWAP). David Hill from SWAP attended Cotswold District Council Offices on 13 December 2016 and gave the audit staff a short overview on their way of working and their audit system. Further meetings are planned in order to discuss contract terms and conditions in preparation for the transfer. As yet, no date has been confirmed for the meetings or transfer.

3.2 Background

Below summarises some of Internal Audit's work in progress to date;

Since the last Audit Committee we have finalised:

- Fleet Management
- Council Tax Support Scheme
- NNDR Reliefs
- NNDR and Council Tax

Progress on the 2015/2016 brought forward and the 2016/2017 audit plans:

- Contract Management; 'Limited Assurance' Audit - follow-up testing is in progress
- GOSS – Health and Safety; 'Limited Assurance' Audit - follow-up testing is in progress
- Employee Turnover – Draft Report
- GOSS Insurance – Draft Report
- On-going reviews have been undertaken during the year for Car Parking and the Art Gallery and Museum follow-up. We have now completed these and the summaries will be reported to the next Audit Committee.

3.3 Progress against the 2015/2016 brought forward and 2016/17 audit plan, updated with progress and assurances given, is set out in **Appendix 1**

3.4 Executive summaries of finalised audits in can be found in **Appendix 2**

3.5 The assurance levels are set out in **Appendix 3**

Report author	Lucy Cater, Acting Head of Audit Cotswolds Lucy.cater@cotswold.gov.uk 01285 623340
Appendices	1. Audit Plan Progress 2. Executive Summaries 3. Assurance levels

Cheltenham Borough Council (CBC) Internal Audit Monitoring Report

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	To be incorporated in the Change Programme work planned for 2017/18	
Security	Review of buildings and personal security	Final Report	High
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	Review undertaken during the year and now complete. Summary to follow	
Car Parking	Follow-up of the report submitted to Audit Committee in September 2015	Review undertaken during the year and now complete. Summary to follow	
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 Theme / Service Area	Specific Topic or Activity	Status	Assurance
Audit Committee Effectiveness (Annual)	Annual review of the Audit Committee against appropriate guidance and standards	Commenced	
Internal Audit Self-Assessment (Annual)	Annual self-assessment of Internal Audit's performance against the Public Sector Internal Audit Standards (PSIAS)	Complete	
Risk Management	Selection of risks from registers and mitigating controls and actions to test their effectiveness	Final Report	Good
ICT Audit to be conducted by SWAP	Public services Network	Final Report	SWAP – Reasonable Audit Cotswolds - Satisfactory
	Data Handling	Request by Client for Audit to be Deferred	
	Disaster Recovery Planning	In Progress	
Council Tax Support Scheme	A review of an element of the Council Tax Support Scheme process, the programme of activity ensures full coverage of the service over a 3 year cycle	Final Report	High
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	Final Report	High
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	Final Report	High
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	Final Report	High
Treasury Management and Bank Reconciliations		Final Report	High
Payroll		Draft Report	
Accounts Receivable (Debtors)		In progress	
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)	Draft Report	
Systems Administration of Agresso Business World (ABW)	A review of the operating system and the controls in place	In Progress	
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	Final Report	Satisfactory
Other GOSS Area	A review of Procurement / Health and Safety / Insurance. 2016/17 audit to be determined with GOSS Officers	Draft Report	
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	Draft Report	

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
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)	In Progress	
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.	Final Report	N/A
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	In Progress	
NNDR (Business Rate) Reliefs	Review of NNDR Reliefs ensuring that the correct relief has been added to accounts in accordance with legislation	Final Report	High
Fleet Management	Review of the management of fleet by Ubico on behalf of CBC (and CDC) to include the replacement of vehicles, purchase and recharging	Final Report	Satisfactory
Planning Application Process	Review of the planning application process to ensure compliance with statutory legislation in respect of the processing cycle	Final Report	Satisfactory
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	Draft Report	
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	On-going	
Community Infrastructure Levy (CIL)	Support for the CIL process ensuring that the Council is prepared for the introduction of CIL	On-going	
Charging Mechanisms	Review of the charging mechanisms to include statutory and discretionary charges and the potential generating, or increasing income, from some service areas	Brief Drafted	
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	On-going	
Change Programmes	Support for other change programmes / projects	On-going	
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.	On-going	
Payment Channels and Income Streams Follow-Up	Follow-Up testing of a 'Limited Assurance' Audit	Complete	Not all recommendations implemented
Contract Management	Follow-Up testing of the 2015/16 'Limited Assurance' Audit	In progress	
GOSS – Health and Safety	Follow-Up testing of the 2015/16 'Limited Assurance' Audit	In progress	
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	

Audit Theme / Service Area	Specific Topic or Activity	Status	Assurance
Follow Up Audits	Follow Up of Previous Year Audits:	On-going	
	Ubico Client Function	Complete	Satisfactory
	Social Media	Complete	Good
	Data Protection	Complete	All recommendations actioned
	Members' Allowances	In progress	
National Fraud Initiative	On-going Support for the Scheme	On-going	
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	
SWAP Transfer	Officer Time allocated to internal audit service transfer to SWAP	On-going	

Executive Summary for Council Tax Support Scheme 2016/2017	
Assurance	High
<p>Introduction and Purpose of Review</p> <p>To review the effectiveness of internal controls in place for the Council Tax Support Scheme and ensure procedures are meeting internal policy, regulations and external codes of practice.</p> <p>Overview and Key Audit Findings</p> <p>Our review has examined the effectiveness of internal controls in place for the Council Tax Support scheme (CTS) in the below areas:</p> <ul style="list-style-type: none"> • Scheme approval • Application process • CTS entitlement • Procedures • Performance monitoring <p>Overall we can confirm that systems and controls are in place. Testing confirmed that CTS entitlement, the application process and internal procedures are operating well.</p> <p>Meeting minutes confirmed the annual approval of the 2015/16 and 2016/17 CTS by the Council. The 2017/18 scheme was approved by Council on 12/12/2016.</p> <p>Additional benefit availability of the Second Adult Rebate and who is eligible is well documented within the Council website.</p> <p>Some minor details identified are being addressed by the Housing Benefits Manager relating to information on the Council's website, which are expected to be completed imminently.</p> <p>There are no CTS specific key performance indicators operating within the department. Instead, following Government guidance, a more customer focussed service and support is provided to the applicants and assistance is available through a helpline, the Council's website and by visiting the Council offices.</p> <p>On the basis of our findings we can confirm that and we are able to give a High level of assurance at CBC at this current time.</p>	

Executive Summary for Fleet Management 2016/2017

Assurance

Satisfactory

Overview and Key Audit Findings

A review of Fleet Management was undertaken as part of the 2016/2017 Internal Audit plan, approved by the Audit Committee in March 2016. This audit covers:

- Review of policies and procedures governing the replacement of fleet vehicles and plant.
- Review of opportunities to use vehicles across authority borders in order to maximise effectiveness and reduce costs.
- Review of cross charging for vehicles when used across authorities.
- Review of procurement arrangements and funding in order for Ubico to maximise the gains due to its significant buying power.
- Review of the arrangements for holding reserve vehicles in order to reduce that need to hire.
- Review of the policy setting process at the Council and how it offers the most advantageous returns on vehicle investment.
- Review of the long term strategy for fleet management across all Ubico partners.

We held discussions with the CBC Lead Commissioner, the Client Officer (Customer Relations Manager), the Ubico Fleet Manager and the Strategic Officer at the Gloucestershire Joint Waste Team (JWT). Testing included examining rental costs, disposal arrangements, vehicle tracking, fuel monitoring and service history.

Conclusion

Although the Opinion offered is **satisfactory**, the over-arching evidence suggest that financial gains are not being made where there is opportunity to do so.

Throughout the course of the audit, we identified that, to achieve the best returns or economies of scale, Commissioning Authorities would have to align their waste and recycling services. We accept that public opinion is a factor used to determine the Service even though it may not offer the best value for money. However, in order to ensure the most advantageous outcomes, maximise savings and to achieve the best returns on the councils investments, the Commissioning Authority should:-

- Explore the process of procuring vehicles in order to establish if alternative methods could offer a more advantageous return on the Councils investment. Example - Ubico purchase directly.
- Align the service with other Commissioning Authorities. Ensuring same vehicle usage would allow best possible discounts, better resilience through cross boarder usage as well as savings on parts and tyre contracts.
- Enter arrangements with other partners in order to utilise Ubico's significant buying power. – to enable greater savings
- Consider the rechargeable costs should a vehicle be utilised by another authority.
- Engage through the Gloucestershire Joint Waste Committee, who are best placed, to prepare and commit to a single service policy strategy across the partners
- Protect the Operations Licence held at Ubico by ensuring vehicle replacement is scheduled and completed on time.

Management Response

I have reviewed, accepted and have implemented an action plan to address the recommendations.

Martin Stacy - Lead Commissioner – Housing Services

Executive Summary for NNDR (National Non-Domestic Rates) Reliefs 2016/2017

Assurance

High

Introduction and Purpose of Review

This audit was carried out as part of the core audit programme planned for 2016/2017 as approved by the Audit Committee.

The purpose of the audit review is to provide Members and senior officers with sufficient levels of assurance that the service is effective and secure.

Overview and Key Audit Findings

We initially established by discussion how the system operates and the controls in place. We selected samples of properties from a range of categories to test compliance with rate relief criteria as set out in UK legislation and CBC's Discretionary Rate Relief Criteria. The sample was taken from the dataset of properties receiving NNDR reliefs in April 2016 from the CBC website.

- Small Business Rate Relief
- Rural Rate Relief – Post office or general store
- Rural Rate Relief – Public houses and petrol filling stations
- Discretionary Relief
- Non-Profit Making Bodies - Community Amateur Sports Clubs (CASCs)
- Mandatory Charitable Relief
- Non-Profit Making Bodies – Schools
- Unoccupied properties

In all cases in our samples we were able to verify that reliefs had been correctly applied. On the basis of our findings we are able to give a **High** level of assurance.

Executive Summary for Council Tax and NNDR 2016/17

Assurance

**Council Tax – High
NNDR - High**

Introduction and Purpose of Review

The review of the Council Tax and NNDR systems was undertaken in accordance with the 2016/17 Audit Plan agreed by Audit Committee in March 2016.

The reviews on Council Tax and NNDR are undertaken on a modular basis over a 3 year cycle; this is year 2 of the cycle concentrating on the controls operating within the liability and billing processes with a particular focus on the management of Council Tax summonses.

We also examined Quality Assurance processes covering both systems and checked whether key systems controls were operating.

Our testing of Council Tax and NNDR systems was conducted on a sample basis covering the period 02/11/2015 to 02/11/2016. All audit queries were satisfactorily answered; there were no unresolved issues arising from our testing of liability and billing processes.

We can confirm that key systems controls are working effectively, for example reconciliation processes and independent review of exceptions etc. In addition we verified that:

- Precept payments made to the precepting Authorities were in line with precepts levied.
- The Council had submitted the 2016/2017 Form NNDR1 to the government and that this had been signed by the Council's Section 151 Officer on 29th January 2016.

Based on our testing, officer discussions along with satisfactory procedures and policies being in place we were satisfied that an effective quality assurance process was in place

On the basis of our audit work we are of the opinion that a **High** level of assurance can be given in the areas reviewed to both systems.

Management Response

I am happy with the contents of this report

Jayne Gilpin
Revenues Manager

Appendix 3

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 set 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 out the rationale for the priority ratings and the suggested timescale for the implementation or action for the agreed recommendation

Priority Rating	Description
Critical	<p>A significant and serious control weakness in the system of internal control.</p> <p>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.</p> <p>Immediate action is essential.</p>
High	<p>A weakness which could undermine the system of internal control and compromise its operation.</p> <p>Action is required as soon as possible.</p>
Medium	<p>An improvement to the system of internal control in order to comply with best practice, or which offers efficiency savings.</p> <p>Action date to be agreed.</p>
Low	<p>Recommendations requiring action by management to improve control, although the achievement of objectives is not fundamentally threatened.</p>
Observation	<p>Observations presented for management consideration only, as they represent a suggested improvement in management of the risks.</p>