

Executive Summary for Payroll 2016/2017	
Assurance	Good
<p>Overview and Key Findings</p> <p>The audit of Payroll is carried out over a three year cycle. 2016/2017 is the third year of this cycle; the detail of the areas that have been included in the year three audit can be seen below. The areas to be reviewed are drawn from the “Services in Scope” document defining those services which GO Shared Services (GOSS) will provide.</p> <p>Areas covered in the Year 3 internal control system review are as follows:</p> <ul style="list-style-type: none"> • Calculation of payrolls and accuracy assurance • Reconciliation of deductions from payroll and the distribution to third parties • Generation and distribution of relevant tax forms • Year-end reconciliations and transfer of appropriate returns / forms <p>Key systems controls reviewed every year are:</p> <ul style="list-style-type: none"> • Reconciliation of payroll system to the general ledger • Periodic reconciliation of the payroll system to personnel records • Periodic circulation of establishment lists to budget holders • Production and independent review of exception reports – eg. Movement in net pay >10% <p>In addition we conducted transaction testing on a sample basis to ensure that changes to the payroll system were undertaken in accordance with policy, appropriately authorised, completed accurately and in a timely manner.</p> <p>We also checked that the recommendation arising from our 2015/2016 audit had been implemented. Our review of the areas covered in Year 3 found that sound processes operated which were in accordance with HMRC requirements.</p> <p>Our review of key systems controls found there is no regular, routine check whereby officers not involved in payroll processing are required to check ABW periodically. This control is firstly to see whether the names of staff charged to cost centres are recognised (this is to identify “ghost” or “dummy” employees on the payroll), and secondly to check that the pay charged appears reasonably in line with what is expected. We were advised that Finance keep a “watching brief” upon budgets throughout the year, and review staffing budgets at budget time each year. Although these may be classified as compensating controls to some degree they are not formal regular, routine checks.</p> <p>We also identified that periodic reconciliation of the payroll system to personnel files was not operating. There was some degree of checking undertaken but this does not provide sufficient assurance that payroll records agree to records held in personnel files.</p> <p>Other than the above we can confirm that key system controls are operating.</p> <p>We also commented upon potential risks to the Council as a result of the findings of our transactional testing.</p> <p>We verified that the recommendation arising from our 2015/2016 audit had been implemented.</p> <p>On the basis of our audit work, and in view of the issues described above, we assign a Good level of assurance.</p>	

Executive Summary for Insurance 2016/2017	
Assurance	Good

Overview and Key Findings

This audit was carried out as part of the core audit programme planned for 2016/17 as approved by the Audit Committees of Cotswold District Council (CDC), Cheltenham Borough Council (CBC), and the Audit and General Purposes Committee of West Oxfordshire District Council (WODC). As GO Shared Services (GOSS) also provides services to the Forest of Dean District Council (FoDDC), this audit also covers insurance management arrangements pertaining to that Council as organised by GOSS.

The areas covered during this audit were as follows:

- Responsibilities
- Insurance Officer
- Procedures
- Review of insurances
- Insurer
- Self-insurance
- Cover
- Sums insured
- Claims
- Recharges
- Performance and reporting
- Risk
- Fraud
- Working with/for other Councils (including 2020)
- Advisory roles
- Empty property insurance

Those issues which we feel specifically need to be brought to management's attention are summarised in the list below.

- There is no written procedural guidance for officers to follow (recommendation made)
- There is no regular, routine reporting of insurance matters to Members at Committee or Council, or to senior officer management teams, in any of the four Local Authorities or Ubico; however we have not found that this is general or common practice so the Local Authorities and Ubico are not out of step in this respect. (recommendation made)
- There is no close coordination involving the Insurance Officer in the risk management processes of the Local Authorities and Ubico. (recommendation made)
- Currently there is no other officer who could carry on the main body of the Insurance Officer's work if he were to be absent for a lengthy period or if he were to leave at short notice. The Head of GOSS has recognised this risk and is considering options to mitigate it, putting funding in place to finance these.
- The Insurance Officer has not been consulted on insurance matters relating to 2020 but we understand that this is planned to take place.

We made three recommendations which are shown, together with management responses in Appendix B. We have been able to provide a **Good** level of assurance.

Executive Summary for Risk and Control Implications of Meeting the Funding Gap 2016/2017

Assurance

Good

Overview and Key Findings

This audit on the Risk and Control Implications of Meeting the Funding Gap was carried out in accordance with the 2016/2017 Audit Plan as approved by Audit Committee in March 2016.

Cheltenham Borough Council (CBC) currently has a projected shortfall against the Medium Term Financial Strategy (MTFS). Bridging the Gap is the budget monitoring programme that has been implemented to manage the budget and identified funding gap.

From our testing and the evidence supplied, we can confirm the risks to achieving the projected medium term outcome are identified, assessed and recorded through;

- Monthly Bridging the Gap Highlight reports.
- CBC Corporate Risk Register.
- Annual Section 25 report.
- Quarterly Budget Monitoring reports.
- Regular meetings of SLT, Cabinet and the Bridging the Gap Programme Board.

Evidence confirms CBC's budget is monitored by Officers and Members regularly enabling any changes to the status of work stream commitments and the overall programme to be discussed. We were advised that not all work streams in the Savings Strategy warranted having a project in place; these are managed as part of the overall Bridging the Gap programme.

Section 25 of the Section 151 Officer's report (i.e. the report of the Councils Chief Finance Officer) confirms the officer is satisfied the current budget is balanced and meets the legal requirement based on the estimates and projections. Meeting minutes confirmed that Members considered this report before approving CBC's final budget.

CBC currently has no replacement income generator and all savings initiatives are included within the Savings Strategy monitored by the Bridging the Gap Programme. The Final Budget (2017/18) confirms CBC is taking an 'invest to save' approach, with a longer term view of closing the funding gap through economic growth. This approach has the potential to deliver financial benefits to the Council but could also expose it to additional risk if economic growth is not achieved.

On the basis of our findings we can confirm that risk identification, assessment and control arrangements for income and saving projections are in place to monitor the MTFS and identified funding gap; however, CBC faces potential risks if it's aim to deliver an under spend is not appropriately managed.

We are able to give a **Good** level of assurance at this current time.

Executive Summary for Food Safety 2016/17

Assurance

Satisfactory

Overview and Key Findings

A review of Food Safety was undertaken as part of the 2016/2017 Internal Audit plan, approved by the Audit Committee in April 2016. This is a follow up of recommendations made by the Food Standards Agency in their audit completed in February 2016.

During the course of the Audit, discussions were held with the Public & Environmental Health Team Leader. Walkthrough testing was carried out on the systems in place, along with examination of evidence provided to support the processes.

On the 10th and 11th February 2016 the Food Standards Agency (FSA) conducted an Audit on Cheltenham Borough Council's operation of the Food Hygiene Rating Scheme (FHRS). The FHRS allows consumers to compare hygiene ratings across establishments within the local authority area as well as other authority areas.

Local authorities have a duty under the 1990 Food Safety Act to ensure food premises within its area are operating with good standards of hygiene. This is carried out in accordance with the Food Law Code of Practice and the FSA Framework Agreement on Food Law Enforcement.

The FHRS is a way of businesses advertising good hygiene practice and is run by the FSA in partnership with local authorities. Currently businesses in England do not have to display the rating. The FSA audit, although identifying some strong areas, made 11 recommendations of key areas to improve.

This audit objective is to: Review the February 2016 Food Standards Agency audit report recommendations to ensure the implementation, monitoring and reporting of the agreed recommendations.

The FSA were scheduled to return to complete a follow up audit in January 2017, therefore we have, where possible, taken assurance from their work. We have also examined and tested the robustness of the data and information that supports, evidences and ensures agreed actions have been implemented effectively and are being maintained.

Overall we can confirm that good progress has been made and that six of the 11 recommendations have been completed. The remaining five are in progress with four expected to be completed by the end of the financial year 2016/2017. These recommendations relate to:

- the identification of all service requirements within service plans
- lead officer qualification requirements
- the frequency of interventions/inspections
- contact details on inspection reports
- accompanied visits

On the basis of our findings we can confirm we are able to give a **Satisfactory** level of assurance at CBC at this current time.

Overview and Findings

This audit has been undertaken using an agreed risk based audit. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed

The scope of this audit covered the rationale/formula used for the 2016/17 and 2017/18 NNDR1 forms in the following areas:

- Bad debt provision
- Appeals provision
- Estimated growth

This is an advisory report. Whilst no significant issues have been identified with the methods that each Local Authority is using, differences have been identified across Local Authorities and it has been concluded that the accounting estimates/assumptions used to model Pool surpluses/deficits and calculate outturn are not consistently applied across the three Local Authorities that have been involved in this review.

Differences in process and rationale have been identified in the estimates/assumptions used to calculate the bad debt and appeals provision. The Authorities may wish to use the information and comparisons provided in this audit report to consider and ensure a more generic way of working is in place.

Whilst a difference has been identified in the process rationale, overall, there is little difference when considering these figures as a percentage of the net rates payable, shown in Appendix B. There is a risk that some authority's calculations may be less accurate than others if a generic way of working is not in place. Appendix E shows the impact on the provision of appeals figures for the 2016/17 NNDR1 for each authority if they were to use each authority's method of calculation.

Generally, the three authorities follow the same process for calculating growth, however as it would be expected, growth between authorities will differ depending on the local environment for development within each authority.

Improvements are required in the maintenance and retention of working papers across the authorities. It has been identified that clearer audit trails are needed with appropriate explanations and reasoning to ensure it is clear what rationale has been used to obtain figures for the NNDR1 form.

The Local Authorities part of the 2020 partnership, that were part of the scope of this review, may benefit from sharing the results of this audit with the other members of the Pool to identify if there are any further inconsistencies in process.

Overview and Key Findings

As part of the 2016-17 audit plan a review to ascertain whether the JWC has delivered what it was established for was agreed. However, this review has been undertaken to consult with representatives from other joint waste partnerships from within the SWAP Partnership, where finances are pooled, managed and monitored by a single accountancy function. This approach would help identify the positive and negative outcomes, including aspects done well and lessons learnt.

The Joint Waste Partnership (JWP) consists of the Gloucestershire County Council, Forest of Dean District Council, Cheltenham Borough Council, Cotswold District Council and Tewkesbury Borough Council. In addition, Stroud District Council and Gloucester City Council are permitted to attend and participate in Joint Waste Committee (JWC) meetings without being part of the JWC. However, participation does not extend to the decision making and voting process of the JWC.

This review has been a fact-finding exercise to increase the JWC knowledge of the way other waste partnerships have progressed whilst operating a pooled financial arrangement. The output as viewed by internal audit is summarised below.

One significant difference identified between the Gloucestershire JWP and the other waste partnerships is that from the outset funds have been pooled. Responses from the Gloucestershire authorities indicate that no other option was considered. However, the JWP has shown progress can be made, although at a much slower pace, which may delay the realisation of savings in the future.

Currently, shared decision making is in respect of the JWC business plan and the actions within it. Any choices for retained decisions to be made for example, budget setting, service charges, collection/disposal method and procurement need to be referred to the partner Councils.

At the 2017-2020 business plan approval meeting (February 2017), a significant step forward was made when the partners concurred that the case for closer service alignment should be considered subject to a business case and risk assessment.

To date the JWC has seen improvements in waste collection, recycling and disposal into landfill, largely in line with government projections. However, there is limited information on financial savings realised, which is an important requirement alongside improved waste management and resilience of the service. The Gloucestershire JWP questionnaire responses support the principle of further integration, with one exception, provided the business case and risk assessment undertaken demonstrated a positive way forward. Furthermore, only one partner did not give a favourable response to financial integration. The other partners were open to the idea provided the business case confirmed this was the correct direction of travel. In addition, in line with the other waste partnerships a fair distribution of costs and savings would be required along with transparency of the information.

One partner suggested collaborative procurement which may be a good trial to identify key issues, highlighting shortfalls which need to be addressed. This approach could be educational, utilising the knowledge of the Gloucestershire JWP and the information from the other waste partnerships as a guide to prevent costly mistakes being made.

There was consensus that the operation could be improved through consistency and standardisation of approach throughout the JWP. It is recognised that to consider any level of standardisation of operations across the authorities the current arrangements need to be understood. Once this exercise is complete an evaluation can be undertaken to determine where conformity can be put in place. In addition, the recruitment of a full-time Head of Service for the JWP is an opportunity to develop a clear routemap to align services and steer the partnership forward.

Executive Summary for Employee Turnover 2016/17

Assurance

Consultancy Review

Overview and Key Findings

This consultancy review was carried out as part of the internal audit programme planned for 2016/2017 as approved by the CBC's Audit Committee.

Concerns had been raised that there may be a risk to CBC in that it could become an employment competitor of Publica for some key retained services. Publica is developing a rewards package which may offer greater short term staff incentives than CBC will be able offer. In the longer term CBC will continue to offer the LGPS whereas Publica will offer an alternative stakeholder pension. The impact of these differing short or long term benefits will be unknown so CBC will need to determine how it will react to this emerging risk.

The purposes of the audit were to review how management:

- records risks due to staff turnover
- monitors staff turnover
- plans to mitigate against the possible risk of loss of staff to Publica
- plans to deal with single post vulnerabilities
- identifies the reasons for members of staff leaving the employ of the Council
- budgets for staff turnover

Evidence does show that in general terms CBC's staff turnover is low when compared to the national average. However the views of individual service managers do demonstrate more specific concerns about staffing, particularly around uncompetitive salaries and employment packages, and the absence of key staff for lengthy periods. However the Council's planned list of single post dependencies (see below) will help to address these. There is no overarching corporate risk in CBC's risk register relating to staff turnover.

From our reading of the OD Programme v0.1 and discussions about this, the work envisaged appears to be well founded and, if carried out as per programme, should address risks which may arise in relation to staff turnover. As with any such work, it is important to ensure that the success indicators/measures are captured, recorded, evaluated and reported, in order to assess whether the Council achieved what it set out to do.

Mitigating actions which the Council intend to take:

- Identifying the reasons for members of staff leaving the employ of the Council to be considered for inclusion in the OD work
- Developing a list of single post dependencies and acting on this.

Audit recommendations arising from this review are as follow:

- Develop a link with the Business Continuity Plan and the single post vulnerabilities exercise.
- Assess concerns raised by individual service managers in their own risk registers to see whether these translate into corporate issues which should be included in the corporate risk register.
- Analyse and evaluate the outcomes of exit interviews/questionnaires, in order to plan any necessary remedial action.

As this was a consultancy review the issuing of an Audit Assurance Opinion Level is not appropriate.

Executive Summary for Accounts Payable 2016/17

Assurance

Reasonable – SWAP Assurance
Satisfactory – Audit Cotswolds Assurance

Overview and Key Findings

As part of the 2016/17 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Accounts Payable (AP) Core Functions.

SWAP reviewed controls operated by the GOSS AP service confirming that generally risks are well managed with a number of well controlled areas, but some processes require the introduction or improvement of internal controls, for example, documenting procedures and evidencing checks to ensure the achievement of objectives.

Our analysis of compliance with the 'No PO, No Pay' policy can confirm that purchase order (PO) usage has increased. At the time of review we identified 69% of eligible payments were made using purchase orders, we have since been advised that this figure has risen to 91%.

Our transactional testing identified that internal controls and improvements to existing measures are required in relation to the identification of duplicate suppliers and payments. We have been advised that increased monitoring and change in process is being addressed.

We found that some payments were being made using the sundry supplier code rather than setting the supplier up on the system. Again, this is being addressed by the AP team.

Executive Summary for Accounts Receivable 2016/17

Assurance

High

Overview and Key Findings

The review of Accounts Receivable (AR) is undertaken over a three year cycle. 2016/2017 is the third year of the three year cycle. The areas covered in this review are detailed below:

- The recovery timetable
- Legal recovery processes
- Customer relations

Key system controls reviewed annually are:

- Income management and control (including instalment administration arrangements)
- Cancellations and write-offs management and control
- Performance management and reporting

In addition, we undertook transactional testing covering a range of cost centres at each client to establish that invoices raised by service areas were in accordance with agreed fees and charges, and that appropriate evidence was maintained to support the debt raised. Discussions were held with a number of officers to establish, the processes underpinning the raising of debtor/subscription invoices.

We also undertook testing to confirm that evidence was available on customers' AR account to support charges raised on the subscription invoices.

Our review of the AR system has found that robust controls are operating which ensure system objectives are achieved. There are no recommendations to be made.

On the basis of our findings we can confirm we are able to give a **High** level of assurance.

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>