Cheltenham Borough Council

Report of Internal Audit Activity

Annual Opinion Report 2017/18

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

SWAP SOUTH WEST AUDIT PARTNERSHIP Delivering Audit Excellence

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors and the CIPFA Code of Practice for Internal Audit in England and Wales.

Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.

➡ Purpose

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit (SWAP Assistant Director) should provide a written annual opinion report to those charged with governance to support the AGS. This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment;
- disclose any qualifications to that opinion, together with the reasons for the qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- compare the work undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria;
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

The Assistant Director is required to

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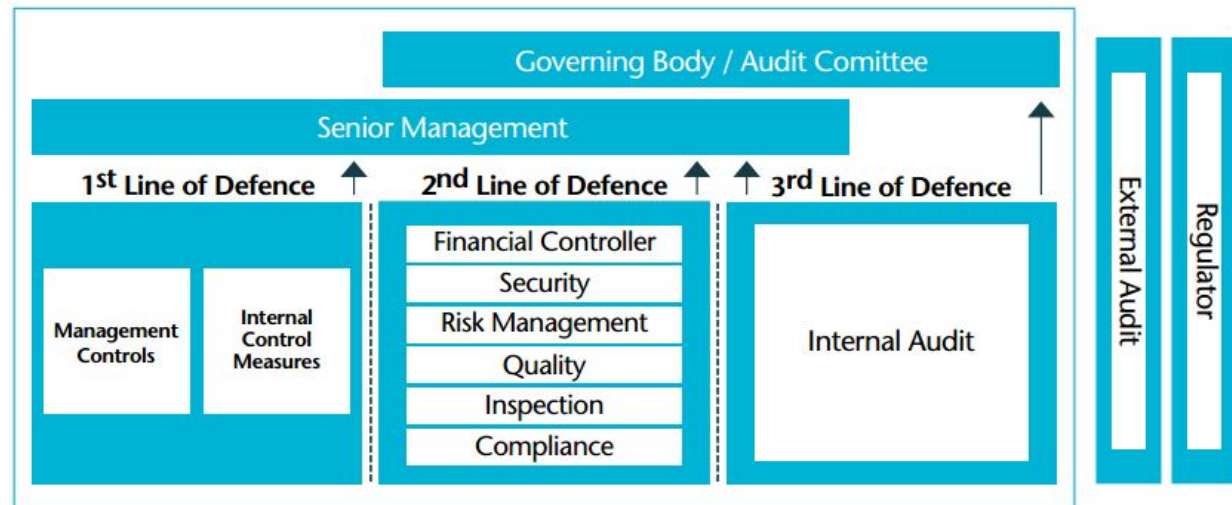**provide an opinion to support the Annual Governance Statement.**

Background

The Internal Audit service for Cheltenham Borough Council is provided by SWAP Internal Audit Services Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

The position of Internal Audit within an organisation's governance framework is best is summarised in the three lines of defence model shown below.

Three lines of Defence Model

Chartered Institute of Internal Auditors, December 2015

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The Assistant Director is required to provide an opinion to support the Annual Governance Statement.

Annual Opinion

This Annual Report gives the opinion of the SWAP Assistant Director (Head of Internal Audit) on the adequacy and effectiveness of internal control, governance and risk management within Cheltenham Borough Council. Internal Audit has not reviewed all risks and assurances relating to Cheltenham Borough Council and cannot provide absolute assurance on the internal control environment. Our opinion is derived from the completion of the risk based internal audit plan at **Appendix B**, and as such it is one source of assurance on the adequacy of the internal control environment.

Senior Management and Members through the various committees are ultimately responsible for ensuring an effective system of internal control. The purpose of internal control is to manage risk rather than eliminate it. Getting the balance of internal control right is essential for organisational success—to knowingly take risk rather than be unwittingly exposed to it. Under control could expose the organisation to unacceptable risk and destroy value as over control takes valuable resources and can create inefficiency. Therefore, the Internal Control Environment needs the right balance to help Cheltenham Borough Council to deliver its services with ever decreasing resources.

A total of 39 reviews were planned to be delivered for Cheltenham Borough Council, of which 26 were to return an assurance opinion. Of the 26 assurance reviews 9 of these are in progress or at 'draft' report stage as we are waiting management responses to enable us to finalise the reports, these reports will be included in the 2018/19 Annual Internal Audit Opinion. We were unable to conduct 3 non-opinion reviews during 2017/18 and these will be undertaken during 2018/19. In agreement with management, and previously reported to this Committee, some reviews were 'exchanged' or 'removed', from the approved plan, as the need to respond to new and emerging risks was identified.

Eight of the finalised audits have returned 'Substantial' assurance and nine audits have returned an assurance of 'Reasonable'. A 'Partial' assurance and a 'No' Assurance were issued for the two Ubico audit reviews, Data Monitoring and Recyclates (respectively), and further work is being undertaken by officers at Cheltenham Borough Council. Follow-up audits for these reviews have been included in the

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The Assistant Director is required to provide an opinion to support the Annual Governance Statement.

2018/19 audit plan.

It is also worth noting the number of 'Non-Opinion' audits during 2017/18. Given the level of change within the authority, Internal Audit has a role to play in being the 'Trusted Advisor', and as such we have been involved in a number of key areas of organisational change. Although no opinion is offered with this work, details of the work and findings are shared with the Committee and an action plan to address areas for improvement is agreed. Due to the size and nature of some of these areas, work will continue into 2018/19, or days have been carried forward to enable us to conduct a substantial review.

I have considered the balance of audit work in 2017/18, the assurance levels provided, the profile of each audit and outcomes, together with the response from Senior Management and offer '**Reasonable Assurance**' in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

In keeping with the public sector in general, there continues to be challenges for the Senior Management at Cheltenham Borough Council for example ensuring that contracts, the Council has entered into, continue to meet the objectives of the authority by offering effectiveness and savings. In addition, there will continue to be significant challenges and risks for Publica as they continue ahead with their transformation programme, which could have an adverse impact in the short term on the effectiveness of the control environment and performance of the authority. Cheltenham Borough Council will therefore need to ensure that this risk is minimised, and that service delivery is maintained to an acceptable standard.

Cheltenham Borough Council have also embarked on a modernisation programme and Internal Audit will, again, support this programme during 2018/19.

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Summary of Audit Work 2017/18

Our audit activity is split between:
- **Governance Audits**
- **Key Financial Control Audits**
- **ICT Audits**
- **Operational Audits**
- **Follow-Up Audits**
- **Advice and Consultancy**
- **Other Reviews**

➡ Internal Audit Work Programme

The schedule provided at **Appendix B** contains a list of all audits agreed for inclusion in the Annual Audit Plan 2017/18 and the final outturn for the financial year. In total, 39 audits were planned to be delivered for 2017/18. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

The 39 reviews in the revised 2017/18 audit plan are broken down as follows:

Type of audit	2017/18 original plan	2017/18 revised plan
• Governance Audits	4	5
• Key Financial Control Audits	15	14
• ICT Audits	6	4
• Operational Audits	8	7
• Follow-Up Audits	1	1
• Advice and Consultancy	7	8
• Other Reviews	0	0
• TOTAL	41	39

The variation in audit plans can be summarised as:
- Device Strategy audit was dropped due to changes in the provision of ICT
- Serious and Organised Crime Checklist and Audit were reported together
- The days planned for ICT audit were included in the 2020 programme support
- We included provision for the development of the 2017/18 Annual Governance Statement
- The Equalities and Diversity review was originally planned as an operational audit but following discussion with the client, the scope was amended to be an advisory piece of work. All changes

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to the plan were made following agreement with the S151 Officer.

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Significant Corporate Issues / Risks

Identified Significant Risks should be brought to the attention of the Audit Committee.

➡️ Significant Corporate Issues / Risks

The following are the significant issues / areas identified during the course of our audit programme of work for 2017/18. Follow-Up audits have been included in the 2018/19 audit plan to ensure agreed recommendations have / are being actioned.

Review	Issues / Risk
Publica Ltd	Given that Publica only became operational in November 2017, during 2018/19 the Council needs to embed the governance arrangements relating to Publica. This includes implementing new Service Delivery Plans which will enable improved performance reporting using a new set of Key Performance Indicators and new arrangements for engagement between Publica and Council Members.
GDPR	The Data Protection Regulatory Framework changed in May 2018. The Council needs to ensure that it is compliant with the new requirements.
Ubico Recyclates / Data Monitoring	Robust controls were not operating for the management of the recyclate. Value for money was not discussed or explored. Reporting of Ubico performance was inadequate to give CBC assurance that the contract is performing as expected.

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SWAP Performance - Summary of Audit Opinions

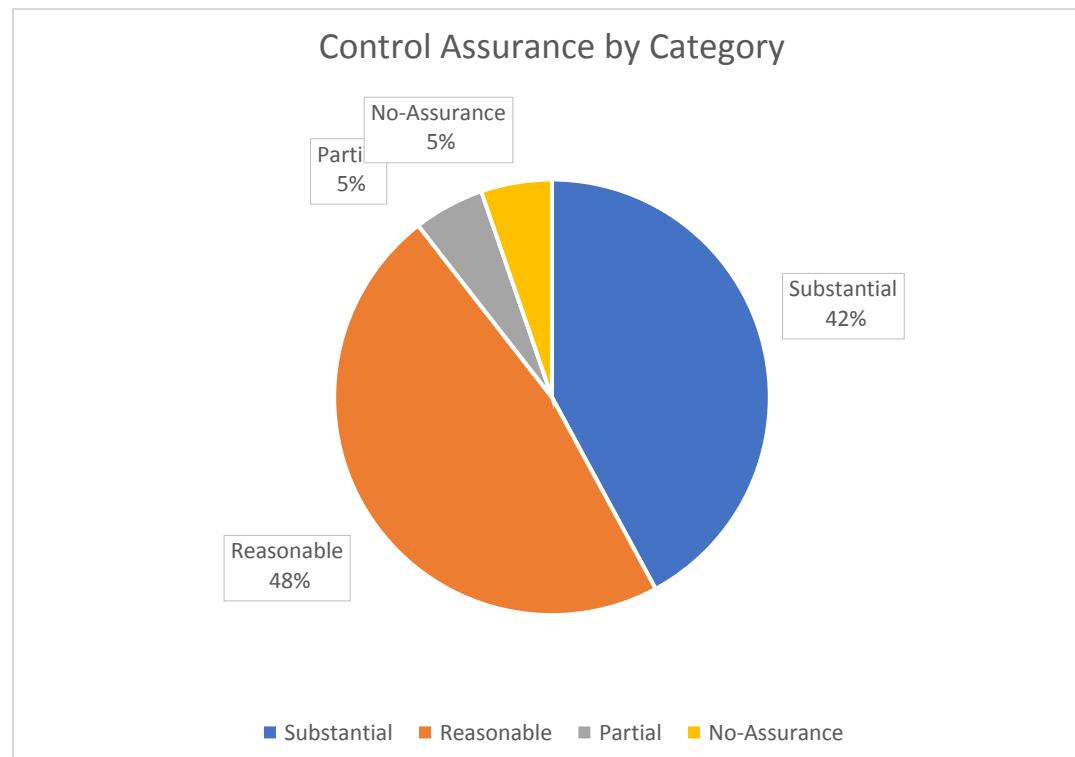At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Partial**
- **No Assurance**

We also undertake 'non-opinion' work on a consultancy basis where we have been asked to look at a specific area of potential concern.

➡ Summary of Audit Opinion

Taking only the reviews that return an audit opinion, the breakdown is summarised below. Definitions for each assurance category can be found in **Appendix A.**

Control Assurance by Category

- No-Assurance 5%
- Partial 5%
- Substantial 42%
- Reasonable 48%

■ Substantial ■ Reasonable ■ Partial ■ No-Assurance

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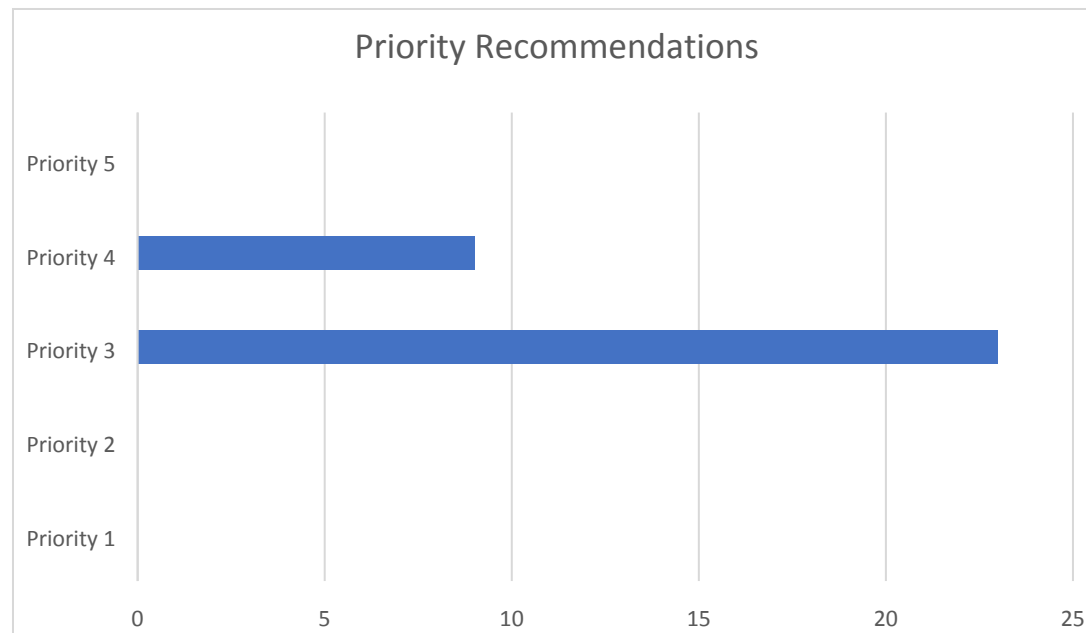
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SWAP Performance - Summary of Audit Recommendations by Priority

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

➡ Priority Actions

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. Therefore, recommendations are assessed as to how important they are to the scope of the area audited. Priority 5 recommendations being more important than priority 1. All recommendations as currently contained in **Appendix B,** for finalised reports, are summarised below. The reviews that are currently at 'draft' or 'in progress' will be included in the 2018/19 Annual Opinion.

Priority Recommendations

Priority	Value
Priority 5	0
Priority 4	9
Priority 3	23
Priority 2	0
Priority 1	0

(Scale: 0, 5, 10, 15, 20, 25)

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Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.

➡️ Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of "added value" is; "it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost".

In addition to audits undertaken in **Appendix B**, where requested by client officers we look to share risk information, best practice and benchmarking data/information. The following are some of the areas where Cheltenham Borough Council has requested or participated in enabling us to produce benchmarking reports across the partnership:

- Regular updates highlighting emerging risks and key issues.
- Comparison of Emergency Planning arrangements for all SWAP Partners.
- Comparison of Ethics and Culture, across the SWAP Partnership base, to establish the extent to which Ethics and Culture have been developed, communicated and embedded.
- Comparison of Election Payroll processes, including recruitment, availability and appointment process, payment of expenses for Election duties through Payroll, declaration of personal interest and separation of duties.
- Members Training Event

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Plan Performance 2017/18

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.

➡ SWAP Performance

SWAP provides internal audit services to local authorities, police and fire authorities, schools, other quasi-government entities as well as some private sector companies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for Cheltenham Borough Council for the 2017/18 year are as follows;

Performance Target	Average Performance
Audit Plan – Percentage Progress	
Review Complete / Final Report	67%
Draft Report	15%
In progress	10%
Deferred / to Continue in 2018/19	8%
Quality of Audit Work *Customer Satisfaction Questionnaire	90.75%

*At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the Service Manager or nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. A score of 80% would reflect the fact that the client agreed that the review was delivered to a good standard of quality, i.e. agreed with the statement in the questionnaire and satisfied with the audit process and report.

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Plan Performance 2017/18

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.

➡ SWAP Performance

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). SWAP has been independently assessed and found to be in Conformance with the Standards.

SWAP carried out such an assessment in 2012 and again in 2016. SWAP was found to be in full conformance to the International Professional Practices Framework and the PSIAS. As a result of the quality review, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

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At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Partial**
- **No Assurance**

➡ Audit Framework Definitions

Control Assurance Definitions

Substantial	△★★★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	△★★★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	△★★★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
No Assurance	▲★★★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Non-Opinion/Advice – In addition to our opinion-based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

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Recommendation are prioritised from 1 to 5 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

➡ Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

- Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of Senior Management and the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ⟷ 5 = Major Recommendation				
						1	2	3	4	5
Governance	Annual Governance Statement (2016/17)	Q1	Final	Satisfactory	0					
Operational	Grant Payments to Third Parties	Q1	Final	Substantial	2			2		
Key Financial Control	Treasury Management and Bank Reconciliations	Q2	Final	Substantial	0					
ICT	EU General Data Protection Regulations	Q2	Final	Non-Opinion	0					
Operational	Elections	Q1	Final	Substantial	0					
Operational	Damages Recovery	Q3	Final	N/A	0					
Governance	Risk Management	Q2	Final	Substantial	1			1		
Operational	MTFS	Q4	Final	Reasonable	3			3		
Operational	S106 Agreements and Funds	Q2	Final	Reasonable	5			5		
Key Financial Control	Other GOSS area – Health and Safety	Q3	Final	Reasonable	2				2	
Key Financial Control	Accounts Payable (Creditors)	Q3	Final	Reasonable	1				1	
Operational	Ubico Recyclates	Q2	Final	No Assurance	3			2	1	
Operational	Ubico Data Monitoring	Q2	Final	Partial	2				2	
Key Financial Control	Payroll	Q3	Final	Substantial	2			2		

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major Recommendation				
						1	2	3	4	5
Key Financial Control	Accounts Receivable	Q3	Final	Reasonable	2			2		
Key Financial Control	Main Accounting, Budgetary Control and Capital Accounting	Q3	Final	Substantial	1			1		
Key Financial Control	Council Tax Reduction Scheme	Q3	Final	Substantial	0					
Key Financial Control	Council Tax	Q3	Final	Reasonable	1				1	
Key Financial Control	National Non-Domestic Rates (NNDR)	Q3	Final	Substantial						
Governance	Drafting of the 2017/18 Annual Governance Statement (AGS)	Q4	Complete	N/A						
Key Control	Business World Systems Administration	Q3	Final	Reasonable	2			2		
Key Financial Control	Intermediaries Legislation – IR35	Q4	Final	Reasonable	5			3	2	
Follow-Up	Follow-Up of 2016/17 Audit Reviews	Q1 – Q4	Complete	N/A						
Non-Opinion	2020 Vision Programme	Q1 – Q4	Complete	Non-Opinion	N/A					
ICT	Protection from Malicious Code	Q3	Draft							
ICT	ICT Policies	Q3	Draft							
ICT	Public Services Network Submission (PSN)	Q3	Draft							
Key Financial Control	Fighting Fraud Locally	Q4	Draft							

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major Recommendation				
						1	2	3	4	5
Key Financial Control	Serious and Organised Crime Checklist	Q4	Draft							
Key Financial Control	Serious and Organised Crime Audit	Q4								
Governance	Audit Committee Effectiveness	Q4	Draft							
Key Control	Human Resources	Q3	In Progress							
Follow-Up	Safeguarding	Q4	In Progress							
Advice and Consultancy	Equalities and Diversity	Q4	In Progress	Non-Opinion						
Governance	Performance Management		Deferred to 2018/19	Non-Opinion						
Non-Opinion	Cemetery and Crematorium Development	Q1 – Q4	IA support to continue in 2018/19	Non-Opinion	N/A					
Advice and Consultancy	Ubico	Q4	Review to continue in 2018/19	Non-Opinion	N/A					
Advice and Consultancy	Parking Strategy	Q1 – Q4	IA support to continue in 2018/19	Non-Opinion						
Advice and Consultancy	Leisure and Culture Trust	Q4	Days to be carried forward into 2018/19							

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ⟷ 5 = Major Recommendation				
						1	2	3	4	5
Advice and Consultancy	Revised arrangements for S151 Officer Role		Days to be carried forward into 2018/19							
Other	Culture and Ethics Survey conducted by SWAP for all Partners		Complete	Non-Opinion	N/A					
Other	Emergency Planning Survey conducted by SWAP for all Partners		Complete	Non-Opinion	N/A					
Other	Environmental Protection (Permitted Installations) Survey conducted by SWAP for all Partners		Complete	Non-Opinion	N/A					
Other	Elections Payroll Survey conducted by SWAP for all Partners		Complete	Non-Opinion	N/A					
Other	Maintenance of Council Property Survey conducted by SWAP for all Partners		Complete	Non-Opinion	N/A					

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Audit Assignments finalised since the last Audit Committee:	➡️ Summary of Audit Findings and High Priority Service Findings

The following information provides a brief summary of each audit review finalised since the last Committee update.

<u>Payroll – Substantial Assurance</u>

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Payroll.

There was considerable change during the period the audit was undertaken. Publica Group Ltd, jointly owned by Cheltenham Borough, Cotswold District, Forest of Dean District and West Oxfordshire District councils was launched within the period this audit was carried out. A number of key staff were (and still are) heavily involved in this project and therefore the production of this report was delayed.

Payroll services on behalf of Cheltenham Borough Council, Cheltenham Borough Homes, the Cheltenham Trust and Ubico are undertaken by the Publica Payroll team based at Cheltenham Borough Council. Payroll services on behalf of Cotswold District Council, Forest of Dean District Council, West Oxfordshire District Council, Publica, Cotswold Conservation Board and election staff at each council are undertaken by the Publica Payroll team based at Cotswold District Council. SWAP is not the internal audit provider for Cheltenham Trust or Cotswold Conservation Board; therefore, we do not provide assurance over their payroll services.

Testing was carried out on a sample of new starters, leavers and contract variations at each organisation to provide assurance over the accuracy of the collection and recording of officers' personnel information. Interviews were then carried out with key staff to identify core controls that ensure all staff are paid accurately and on time, BACs payment runs are secure and controls to prevent fraudulent payments are adequate. The audit also looked to provide assurance that following the transfer of staff to Publica, systems would be in place to ensure all employees would continue to be paid accurately and on time.

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We are able to offer substantial assurance for all areas within the scope for the Payroll team based at Cheltenham. For Payroll (Cotswold) we can offer substantial assurance over the key elements of payroll (accuracy and timeliness), however there are a number of administrative items that could be improved, which are covered in the main report. Due to the increasing workload and a number of process 'workarounds', payroll performance, particularly at Cotswold, is heavily reliant on the experience of the Payroll officers. Due to the further demands of the Publica Transformation programme pressure on these officers is likely to continue to increase, potentially leading to decreased service performance, which may result in employees not being paid on time or errors in the payroll.

Accounts Receivable – Reasonable Assurance

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for the Accounts Receivable system operated by Publica on behalf of CBC, FoDDC, CDC, WODC, UBICO and CBH.

The Review of Accounts Receivable (AR) is undertaken over a three-year cycle, so this review does not cover all procedures carried out by AR, although key system controls have been reviewed and the outcome of previous year's audits have been considered to inform our work. 2017/18 is the first year of the three-year cycle. The areas covered in this review are detailed below:

- Subscriptions
- Fees & Charges

Key System controls reviewed annually are:

- Income management and control
- Cancellations and write-offs management and control
- Performance management and reporting

Our review of AR control arrangements can confirm that generally sound systems are operating to ensure that all income due is being invoiced for and collected appropriately. The annual review of fees and charges is being undertaken and price amendments made where applicable. Subscription invoice processing is

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undertaken in a timely manner and appropriate controls are in place for credit notes and write off processes.

We have made two minor administrative recommendations which have been agreed with management and we can also confirm that previous year's recommendations have been implemented.

Main Accounting, Budgetary Control and Capital Accounting – Substantial Assurance
As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for the Main Accounting, Budgetary Control and Capital Accounting operated by Publica on behalf of Cheltenham Borough Council, Forest of Dean District Council, Cotswold District Council, West Oxfordshire District Council, UBICO and Cheltenham Borough Homes. We have not reviewed processes undertaken for the Cheltenham Trust as we are not their internal audit provider.

Due to the setting up of Publica Group (Support) Ltd and the finance resource required to support the transition, no modular approach was taken this year. Instead we reviewed budget setting, year-end close-down procedures and quarterly reporting to give an overview of the process.

We can confirm that procedures have not changed since the last review undertaken by Audit Cotswolds in 2016/17 when a 'High' assurance opinion was given. Our testing this year can confirm that generally sound controls are operating relating to the budget setting process, year-end close down of the accounts and regular quarterly reporting of budget monitoring.

We did note that at the FoDDC, the period for public consultation on the budget proposals was two weeks short from the requirement. A recommendation has been agreed to ensure the timing is not overlooked for future consultations.

Based on the areas reviewed in this audit and consideration of findings from the previous reviews undertaken by Audit Cotswolds we are able to offer a substantial assurance opinion on the areas reviewed.

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

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Systems Administration – Reasonable Assurance

As part of the 2017/18 audit plan a review has been undertaken to assess the resources and processes in place to ensure the Systems Admin team are able to provide the required service to their clients.

The Business World System Support team (BWSST) support their clients to deliver against their corporate aims and objectives by carrying out the following tasks: • Maintain and upgrade the financial accounting system, Business World (BW) • Provide officers appropriate access to BW systems, according to service manager requests: - New starters appropriate access to BW systems - Amend existing officers' access and - Remove access for leavers. (Access and amendment requests should be addressed within five working days) • Provide training so individuals can make full use of available information • Set up cost centres / account codes / etc. as required to meet their clients' reporting requirements.

As well as the above tasks, the service undertakes a number of 'projects' throughout the year directed by the requirements of their clients. Some current/recent projects include: - Setting up, testing and implementing all modules of the new Publica BW client (P8) - Setting up, testing and implementing new workflows to allow Publica to make off-payroll payments (IR35) - End of year BW pay updates - Running BW reports required for National fraud initiatives data loads - Re-configuring all BW reports due to new printers at Cheltenham Borough Council

The BWSST provide support to all BW users: Cheltenham Borough, Cotswold District, Forest of Dean District and West Oxford District Councils, Cheltenham Borough Homes, Ubico, The Cheltenham Trust and Publica. At the time of the audit, the team comprised of two Systems Support Technicians (1.8 FTE). During the audit the team's reporting line changed from the Finance Manager to the ICT Chief Technical Officer.

Our testing found that Support Technicians lacked adequate internal resource to consistently fulfil their service objectives. However, by the time the report was finalised the recently appointed Group Manager Business Support reported a business review was underway to align the BWSST with the Application Support team and recruit addition resource.

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Internal controls were found to be in place that assist the Business World System Support team achieve their service objectives. The System Support Technicians demonstrated expertise undertaking these controls, however at the time of reporting the service lacked adequate internal resource to consistently achieve its business aims and provide sufficient support to their clients in accordance with the Service Delivery Plan. The recently appointed Group Manager Business Support reported plans align the team to recruit three additional positions, but as these had not all been approved at the time of reporting we were unable to base our assurance opinion on this.

Intermediaries Legislation – IR35 – Reasonable Assurance

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place to ensure compliance with Intermediaries Legislation (IR35) across Cotswold District Council (CDC), West Oxfordshire District Council (WODC), the Forest of Dean District Council (FODDC) and Cheltenham Borough Council (CBC). Finance, Procurement, HR and Payroll services are provided to all 4 Councils by Publica.

Since April 2017 the responsibility for deciding whether IR35 (off-payroll working) applies lies with the Public-Sector Body, agency or third-party paying them rather than the worker. Public Sector Bodies must identify workers provided through intermediaries and assess whether they are in-scope of IR35 and deduct PAYE and NI and report them to HMRC; they are also responsible for telling the worker or agency if off-payroll working applies. The HMRC website contains an Employment Status Service tool (ESS) to determine employment status.

Evidence was supplied to support a review of potential IR35 suppliers and updates to the ERP system were undertaken prior to the change in legislation. It was confirmed changes were discussed with Service Managers by HR and Finance Officers and evidence was supplied to support this.

We were supplied the 'IR35 (Intermediaries Legislation) Off-Payroll Working Guidance for Service Managers', review of the document found it contains an overview of engaging agency workers and contractors, but the

document is not saved in a central location for Officers to access. We would recommend it is circulated to all service managers and uploaded centrally to ensure the correct process can be referenced. Publica may also want to consider making a template notification letter available to Service Managers to ensure a formal record of when agencies have been informed that off-payroll working applies is completed and kept.

'Supplier request forms' were updated prior to legislation changes and new forms for all 4 Councils were located. All forms state the supplier must complete the ESS but HMRC guidance confirms Public Authorities need to decide employment status. We were advised Accounts Payable currently check with the Service Manager that they are happy with the answers that have been provided, but to ensure accountability and reduce the likelihood of results being contrived, the service manager should complete the ESS to determine employment status and supplier forms amended to reflect this.

It was confirmed that once a worker has been identified and set up as an off-payroll worker system parameters and workflow tasks ensure individuals are paid in accordance with legislation. At the time of audit work, 1 off-payroll worker was identified; review of their creditor record found all relevant documents were present. During testing, 2 payroll process documents were supplied; to ensure document control and Officers carry out the same process across the shared service, Publica payroll should maintain a single process document to ensure consistency. Other than Real Time Reporting to HMRC, no other reporting was confirmed during this review in relation to off-payroll workers.

Our review has identified there is no individual or team who 'owns' the overall process; Publica should consider assigning ownership to ensure the process is overseen and day-to-day queries can be directed and resolved by an accountable Officer. A further review of Service Managers understanding of the IR35 process will be undertaken in the 2018/19 audit plan to assess their compliance with legislation.

We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

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Council Tax Reduction Scheme – Substantial Assurance

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for the Council Tax Support Scheme (CTSS) at the Forest of Dean District Council (FODDC).

Council Tax Support (CTS) is available to some residents who claim benefits or are on a low income. The help that can be received depends on:

- circumstances (e.g. income, number of children, benefits, residency status)
- household income - including savings, pensions and partner's income
- if children live with you
- if other adults live with you

Universal credit (UC) is administered by the Department of Work and Pensions (DWP) and was introduced at FODDC in Autumn 2017 and replaces the following benefits for new claimants:

- Income-based Job seeker's Allowance (JSA)
- Housing Benefit
- Working Tax Credit
- Child Tax Credit
- Income-related Employment and Support Allowance (ESA)
- Income Support

CTS account information and supporting documentation are held on Civica OpenRevenues; we had access to this system and the Council's website During this audit discussions were held with the Head of Revenues and Benefits, the Deputy Revenues and Benefits Manager, the Quality Control Officer, the Revenues Control Officer and a Senior Benefit Officer.

Council Tax – Reasonable Assurance

National Non-Domestic Rates – Substantial Assurance

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Council Tax and National Non-Domestic Rates (NNDR) across Cheltenham Borough

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Council (CBC).

Council Tax is payable on all domestic properties and is collected by local authorities to help to pay for local services. Council Tax bills are sent annually and normally paid in 10 instalments. The amount of Council Tax charged is based on:

- The valuation band of the property
- How much the local authority charges for that band
- If the residents qualify for any discounts or exemptions

NNDR is payable on non-domestic properties and collected by local authorities to help to pay for local services. NNDR is billed annually and calculated by applying a multiplier to the rateable value of a property; rate relief and exemptions can be applied in certain circumstances.

CBC also collects Council Tax and NNDR for Gloucestershire County Council, Gloucestershire Police Authority and 5 Parish Councils.

The audits of Council Tax and NNDR are carried out over a three-year period; 2017/18 is year three of this cycle. The areas reviewed were processes relating to collection methods, financial reconciliations, write offs and counter fraud.

During this audit sample testing was undertaken to check compliance with Council procedures and discussions were held with the Head of Revenues & Benefits, the Senior Revenues Officer and the Revenues Control Officer.

Our review found that effective processes are operating in the areas reviewed for both the Council Tax and NNDR systems.

As a result of an unrelated investigation undertaken at another SWAP Partner which led to legal advice being

provided regarding the use of Completion Notices and inclusion of growth within the Council Tax Base setting process, testing within this audit review was extended to allow for an assessment to be made as to whether the Council are compliant with the legal opinion obtained.

We can confirm that the Council does not include growth when setting the base due to the level of uncertainty regarding the completion of new housing developments. Also, for this reason, Council Tax Completion Notices are generally not issued for properties that are not fully complete. We were advised all issued Completion Notices are included in the calculation and growth is included when determining collection targets. Following discussions with the Head of Revenues & Benefits, a recommendation has been agreed to ensure the legislation is appropriately applied.

We have also reviewed one recommendation from last year's audit review and can confirm it has been implemented.

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