

Cheltenham Borough Council

Report of Internal Audit Activity

Summary of work completed since April 2019

July 2019

Contents

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Appendix C – Executive Summary of Finalised Audit Assignments

Appendix D – High Priority Recommendation Follow-Up

Appendix E – Summary of All Recommendations

Audit Assignments finalised since the last Audit Committee:

Summary of 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.

2018/19 Main Accounting, Budgetary Control and Capital Accounting – Substantial Assurance

Evidence was seen to support records were maintained in relation to the bringing forward of balances to the 2018/19 financial year. Meeting minutes support opening balances were checked and signed off by the External Auditor and balances were reported to Members. All opening balances agreed to the closing balances reported in the Council’s 2017/18 Statement of Accounts. Going forward, we have suggested a check should be undertaken once the Statement of Accounts has been signed off by the External Auditor, so all balances are loaded in a timely manner.

Sample testing was undertaken to check that for 2 separate months (June 2018 and September 2018), the closing account balance for the period matched the opening balance for the next period; all balances were found to be the same, and we found no transactions were made after the accounting period selected. 1 transaction was found to have been made prior to the accounting period reviewed; we were advised this was due to an older invoice being posted into the period, potentially after a dispute.

Evidence was supplied to support the 2018/19 budgets were loaded into the Council’s financial management system by the Accountants. Sample testing was undertaken to ensure cost centres were allocated to budget holders and budgets had been accurately loaded, and we also assessed year on year spend from 2016/17 and 2017/18. Testing found all cost centres selected were allocated to named budget holders and all original budgets loaded into the financial management system matched the approved budgets supplied. 25% of the cost centres had budget adjustments actioned during 2018/19, and we received satisfactory explanations for the adjustments that were found.

Evidence found supports the Council’s Capital Strategy has been drafted in accordance with the MHCLG (Ministry of Housing, Communities & Local Government) Prudential Code and approved by Members.

2018/19 Payroll – Reasonable Assurance

We are pleased to offer a (high) Reasonable Assurance over the following procedures within the Payroll service, which is provided by Publica:

- Processing of starters, leavers and variations to personnel records.
- Reconciliation of Payroll to the General Ledger (for Publica client).
- Exception Reporting.
- Separation of Duties and BACS file authorisation.
- Follow up on recommendations issued from the previous audit.

A review of payroll system access identified some employees outside of the payroll team possessed levels of access enabling them to perform full payroll duties. A recommendation is made to review the access required and restrict full payroll access to the payroll team only.

There are some procedural notes in place and used by the payroll team, however they are not fully documented to show all clients requirements. A recommendation is made to ensure all client requirements are clearly specified and documented.

In the 2017/18 audit a recommendation was made to ensure regular reconciliations to the general ledger were completed for all clients. At CBC and FoDDC reconciliations ceased on the departure of a Payroll Business Partner during 2018. At CDC and WODC reconciliation is completed by the Finance team. Therefore, a recommendation is made for Publica to complete regular reconciliations for all partner Councils. A second recommendation was made in 2017/18 to ensure checklists are consistently used for starters, leavers and contract variations. From sample testing, we are satisfied that checklists are used, and HR processes are to be standardised across the team for all clients from February 2019.


High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
017/18 – Ubico Recyclates and Data Monitoring	2	The Lead Commissioner- Housing Services & Waste (LC-HS&W) has agreed to seek assurance, supported by appropriate evidence, from the JWT that CBC is receiving value for money for its recyclates.	<p>This weakness was identified by the JWT CM and since the audit the Council has completed a re-procurement of the materials contracts and included a requirement for the re-processors to show how they calculate the price being offered against the Lets Recycle indices. This calculation is now used by the JWT CM to check the price offered by the individual re-processors at each review point. If the price offered is below that based on the calculation, then the necessary challenge is being completed. In addition, as a result of a long standing arrangement between the CDC/JWT CM and the Salvation Army, an increase in income for the authority on textiles and shoes has been secured as detailed in the Tender Acceptance Report for Textiles & Shoes.</p> <p>A significant reduction in the price paid for the recycling of wood/timber has also been secured resulting in a reduction in cost for the authority as detailed in the Tender Acceptance Report for Wood. The JWT CM is updating the GOSS BPA on a monthly basis of any movement in the material prices and the likely effect that might have on the income being received by the Council. From April 2018 the JWT CM will also present the latest prices to the Cabinet Lead as part of the monthly meeting together with the amount of income received and any variances likely at year end."</p>	31/07/19	<p>Audit work undertaken in June 2019 can confirm the inhouse CBC client team have introduced a robust process which ensures that all recycle income due is effectively recovered.</p> <p>Recommendation closed.</p>

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2017/18 – Ubico Recyclates and Data Monitoring	2	<p>Budget data</p> <p>The LC – HS should ensure that a breakdown of each service charge, used to compile the annual budget, is received to ensure it is appropriate and reflects the service being charged to CBC, in comparison to other service users. Furthermore, this will allow CBC to challenge the value for money service."</p>	<p>Each of the services operates differently so direct comparisons from cost information can be misleading. For instance, Tewkesbury council recently introduced a co-mingled collection of recycling in wheeled bins. CBC have introduced a kerbside sort requiring specialist vehicles. This results in staff having to hand pick materials and sort them into relevant compartments in the vehicle. In the more urban areas of Cheltenham, traffic congestion, access issues and servicing flats are likely to slow collections down compared to the other councils. Gloucester City Council and Forest of Dean Council operate similar systems to Cheltenham i.e. kerbside sort on specialist vehicles. It is important that councils operating the same methodology are focussed upon. The consultant is gathering cost data from Gloucester and Forest of Dean. In addition research is being carried out with several councils that use different operational systems provided by both private sector contractors and Direct Service Organisations. Research findings will be reported to the Lead Commissioner – Housing Services and Waste and Managing Director, Place & Economic Development. The findings of this research will determine discussions and any potential actions with Ubico. This work is due to be reported by the end of May 2018.</p> <p>Contained within the 2018/19 Joint Waste Committee Action Plan is a 'Benchmarking review of current collection services to understand the relative cost and performance of current waste and recycling services across Gloucestershire'. The target date for completion is October 2018 and this will give us valuable data in which to further scrutinise the</p>	31/07/19	<p>We were advised that following the Client arrangements for the Ubico Contract being brought back inhouse, the interim Client Manager will be working with the Publica Finance Business Partner to undertake a value for money piece of work in close liaison with Ubico.</p> <p>Recommendation closed.</p>
 <p>Unrestricted</p>		<p>SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.</p>	<p>In addition, the JWT will compile and provide quarterly information, along the lines of Appendix A, to Senior Management Group, which is comprised of</p>		

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2017/18 – Fighting Fraud and Corruption	2	The CFU should be consulted when the Procurement and Contract Strategy is reviewed to ensure fraud in relation to procurement is fully considered.	CFU Manager to work with Procurement and assist with a revised Strategy"	01/06/19	We have been advised the current strategy is being revised and this task will be completed this year. A meeting between the Procurement Team and the CFU Manager (19/2/19) supports this is being undertaken and the CFU and Procurement are both involved in the process. Recommendation closed.

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Data Protection Act 2018	2	To comply with the Policy Framework (Appendix C) of the Constitution, the revised ICT policies must be formally approved by Senior Management.	Policies are going to be reviewed by CMT board on the 12th February 2019.	30/06/19	We were advised the policies (Publica developed) are incorrect for CBC due to the removal of gcsx accounts and the sensitivity pop up box. Agreed to extend implementation date.
2018/19 Business Continuity Management	2	Consideration could be given to aligning the BCP with the international standard ISO22301, as this provides a framework to plan, establish, implement, operate, monitor, review, maintain and continually improve a business continuity management system.	Consideration will be given to aligning the BCP with the international standard ISO22301 following the review of the Business Continuity Planning process which will be undertaken by the Civil Protection Team after April 2019.	30/06/19	Follow up audit will be undertaken in autumn 2019.
2018/19 Business Continuity Management	2	Consideration should be given to the clarity of the existing template and its ability to guide an officer in difficult and stressful times, and adopting an existing template, to better meet the authority's responsibilities.	An independent review of the CBC BCPs has been agreed with the Civil Protection Team this will commence after April 2019 when resources become available. The Corporate BCP will be identified as the first plan to be reviewed.	30/06/19	Follow up audit will be undertaken in autumn 2019.
2018/19 Business Continuity Management	2	Consideration could be given to the utilising the out of hours automated phone system, already in place, as an emergency information line for providing information to staff and / or the public if other methods of communication are down.	Consideration will be given to utilising the out of hours automated phone system already in place as an emergency information line after the review of the Business Continuity Plans.	30/06/19	Follow up audit will be undertaken in autumn 2019.
2018/19 Accounts Receivable	2	A review of all active subscriptions should be carried out, on behalf of each client, to identify any other duplicate subscriptions and these should all be corrected. Priority	Agreed. This will be carried out. Additional training will also be provided to AR officers to prevent this occurring again in the future.	31/03/19	Will be followed up during the annual audit of Accounts Receivable.



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2018/19 Members' and Officers' Gifts, Hospitality and Declarations of Interest	2	We recommend that consideration is given to work between CBC and the Counter Fraud Unit (CFU) to refresh the approach to the declarations process as part of their planned work discuss the introduction of a risk-based approach to conflict of interest forms in 2019/20. Priority	The CFU manager agrees to review this with the support of SWAP and Governance Group as part of the 2019/2020 work plan. The Programme Manager agrees to work with the CFU to review their risk-based approach and see if this is appropriate for implementation at CBC.	31/03/20	Work ongoing.
2018/19 Members' and Officers' Gifts, Hospitality and Declarations of Interest	2	We recommend that actions are taken to increase officer awareness on the responsibility to declare interests, gifts and hospitality. This may include (but not be limited to): - Regular reminders posted on the staff intranet - Sending out email reminders - Periodic training	The Programme Manager agrees to increase officer awareness through reminders on a quarterly basis and ensure periodic training is undertaken.	30/04/19	We were advised that this recommendation will be actioned via a new learning & development system that has been purchased. Agreed to extend implementation date



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