

# Cheltenham Borough Council

## Report of Internal Audit Activity

Summary of work completed since January 2020

July 2020

# Contents

The contacts at SWAP in connection with this report are:

**David Hill**

Chief Executive

Tel: 01935 848540

[david.hill@swapaudit.co.uk](mailto:david.hill@swapaudit.co.uk)

**Lucy Cater**

Assistant Director

Tel: 01285 623340

[lucy.cater@swapaudit.co.uk](mailto:lucy.cater@swapaudit.co.uk)

Appendix C – Executive Summary of Finalised Audit Assignments

Summary of Audit Assignments Finalised since the last Internal Audit update to this Committee

Audit Assignments finalised since the last Meeting of the Board:

- Summary of Audit Findings and High Priority Service Findings

**2019/20 – Affordable Housing – Substantial Assurance**

**Background**

Cheltenham Borough Council submitted its Local Plan 2011-2031 for examination in October 2018. A six-week public consultation period closed on the 16th December 2019 during which people were asked to consider modifications to a previous draft plan. In the interim the Council’s strategy is driven by the Joint Core Strategy (JCS) 2011-2031 (adopted in December 2017). The Joint Core Strategy was developed in collaboration with Gloucester City Council and Tewkesbury Borough Council. Affordable housing obligations are covered within Policy SD12, which states:

The JCS authorities will seek, through negotiation, for new development to deliver new affordable housing on a sliding scale approach as set out below:

- i. Within the Strategic Allocation sites a minimum of 35% affordable housing will be sought;
- ii. Outside of the Strategic Allocation sites, on sites of 11 dwellings or more, or sites with a maximum combined gross floor space of greater than 1000m<sup>2</sup>; a minimum of 20% affordable housing will be sought on developments within the Gloucester City administrative area and a minimum of 40% will be sought within the Cheltenham Borough and Tewkesbury Borough administrative areas;
- iii. On sites of 10 dwellings or less, which have a maximum combined floorspace of no more than 1,000m<sup>2</sup>, no contribution towards affordable housing will be sought;
- iv. Notwithstanding the above, affordable housing policy for sites of 10 dwellings or less may be applied under policies set out within District plans.

According to the latest Strategic Housing Market Assessment (2015) Cheltenham will require 3,696 additional affordable homes between 2015-2031. Cheltenham’s potential supply of affordable homes (determined through planning commitments, district plans and strategic allocation assumptions) during this period is up to 2,654, resulting in a shortfall of at least 1,042. The Council therefore developed a Housing & Homelessness Strategy (2018-2023) which looks to address this shortfall by providing additional affordable outside of planning commitments or reduce housing need.

Below shows the actual and expected number of affordable houses delivered between 2014/15 and 2020/21:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Affordable Housing delivered	24	32	35	106	86	67	106

**Audit Conclusion / Findings**

We are pleased to offer substantial assurance over the management of affordable housing provision at Cheltenham Borough Council. All areas set out within the scope were reviewed and no control weaknesses were found that could impact on the Council. One suggestion has been made concerning the affordable housing supplementary planning guidance, currently available on the Council’s website, which is significantly out of date and could lead to confusion and frustration for developers. Revising this document is already within the service’s workplan. We have suggested the old document is removed, to be replaced when the new document is approved (following the adoption of the Council’s Local plan).

**2018/19 – Integrity of Data – Reasonable Assurance**

**Background**

Publica Group (Support) Ltd is a council owned company which delivers services, including HR and Payroll for Cheltenham (CBC) and Cotswold (CDC), Forest of Dean (FoDDC) and West Oxfordshire (WODC) District Councils. The HR and Payroll team based at the Municipal Offices are responsible for maintaining CBC HR data and providing management information to publish in accordance with the Equality Act 2010. Information on CBC’s responsibility as a local authority within the Equality Act 2010 can be found on the CBC Website.

The Equality Act 2010 defines 9 protected characteristics and are; age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion and belief, sex and sexual orientation.

Publica HR complete an annual Gender Pay Gap Report on behalf of CBC. The annual publication of the gender pay gap is a requirement of the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for local authorities with over 250 employees.

CBC’s headcount at the end of the 2018/19 Quarter 4, was 232 employees. CBC publish the gender pay gap report on a voluntary basis for transparency.

Business World is the system used for managing HR and Payroll processing and stores the personal information of all employees across the Partner Councils. CDC, FoDDC and WODC use Business World Self-Service functionality for payroll related processes including sickness recording. However, processing for Cheltenham Borough Council requires manual input by Payroll personnel.

**Audit Conclusion / Findings**

Cheltenham Borough Council (CBC) have responsibility under the Public Sector Equality Duty under the Equality Act 2010 to be able to consider how best to publish information that could include but is not limited to; the makeup of the overall workforce, the gender pay gap and recruitment and retention rates for staff with different protected characteristics. Therefore, it is important that accurate and up to date employee information is maintained. We were advised that a project to collect and update employee personal information has been identified. We would suggest CBC clearly defines the scope of the data they require as part of the project.

At CBC, the reporting of sickness absence is a manual process and requires completion and return of sickness forms to Payroll which are then input into the payroll system so that employees’ pay is adjusted accordingly. The Business World system offers the functionality, via Self-Service to enable managers and employees to enter sickness into the system directly, removing manual intervention which could result in input errors or processing delays. A recommendation is made for CBC to consider onboarding to the ‘Self-Service’ system.

New job applicants are not advised of personal data collection and processing responsibility under the Data Protection Act 2018, we noted there is no HR or Recruitment privacy notice on the CBC website. A recommendation is made to update the CBC website to ensure compliance with the requirements of the act.

Finally, an annual gender pay-gap report that CBC publish as part of the Equality Act, and quarterly management information reports are produced by the HR and Payroll service. Our testing found some inconsistencies and identified areas where improvements can be made; we recommend full work instructions are documented to enable future reports to be completed consistently should responsibility for their completion change.

Priority	Recommendation	Management Response	Due Date
2	As stated by Publica HR, we recommend that a project be initiated to review and bring up to date CBC employee's personal data. HR Processes should also ensure that required data is captured and recorded accurately.	We will commence work to update the emergency contact data for CBC employees by end of Feb 2020. We have shared the data that we could collect with CBC and we are investigating with ICT	31 <sup>st</sup> March 2020

	<p>CBC should work with the HR service to determine the information they require to be collected as part of the refresh project and ongoing collection.</p> <p>Availability of Self-Service functionality to empower employees to view and update their own personal information should be investigated.</p> <p>Personal data collection and use should be completed in line with the Data Protection legislation, including the deletion of records that are no longer necessary.</p>	<p>how we can develop self-service so that employees can view and update their personal information – we will provide a plan on how this could be undertaken this by 31st March 2020</p>	
2	<p>We recommend that precise work instructions to complete MI reports are documented so that personnel responsible for producing MI reports, are able to gather and report on the information in a consistent and accurate manner, especially as the process is only undertaken once every three months. We also recommend that, peer review is completed on management information to verify its accuracy.</p>	<p>Work has commenced to gather, store and utilise MI data centrally. The work is being overseen by the Contract Manager.</p>	31 <sup>st</sup> March 2020
2	<p>We recommend that CBC consider onboarding to the Business World Self-Service functionality for sickness reporting. This will enable line managers to enter sickness periods immediately, or as soon as practically possible, and also provides Payroll with up to date absence</p>	<p>This project has commenced and will be completed early next year.</p>	30 <sup>th</sup> June 2020

	information. This would then reduce potential delays encountered due to manual forms being requested, delivered and sometimes chased by Payroll. It would also reduce any risk of mistakes being made with the additional manual input of sickness data.		
2	We recommend that a data privacy statement for recruitment and employment is added to the CBC website, and new applicants advised of this at the application stage.	Agree – the recruitment team will complete by the end of December.	31 <sup>st</sup> December 2019

**2019/20 – Systems Admin – Follow Up of 2018/19 Audit**

**Background**

Seven recommendations were made in the 2018/19 review of Systems Admin to put controls in place or strengthen existing controls. Due to the number of recommendations made, the 2019/20 audit has concentrated on following-up these recommendations and documenting progress made.

Three of the recommendations are complete and therefore can be closed. At the time of testing three of the recommendations have not been actioned by the implementation date, and therefore we have agreed to extend this date to ensure the recommendations can be fully actioned and one has not commenced as it will be incorporated into a larger piece of work (Data Audit).

A further Follow-Up will be planned to be undertaken once the revised target dates have been reached for the outstanding recommendations.

**2019/20 Business Continuity Management – Follow-Up**

**Background**

Five recommendations were made in the 2018/19 review of Business Continuity Management to strengthen existing controls. Although ‘Reasonable’ assurance was offered we have reviewed progress of these recommendations as business continuity is a key risk area if not effectively controlled.

The 2018/19 review focussed on business continuity activity at a corporate level. We were advised that once corporate processes were reviewed and actions updated, service area plans would follow the same format. We can confirm that good progress has been made since our review. We are aware that the GCC Civil Protection team have worked with the Council to provide input into the new format of the Business Continuity Plan (BCP) to ensure that it aligns with the requirements of the Civil Contingencies Act 2004. They have also delivered mandatory training and 1:2:1 sessions with all service managers.

We can confirm that service area business continuity plans have been updated and are now clearer and therefore easier to instigate in the event of emergencies. Whilst work has been completed on the Corporate Business Continuity Plan, the Programme & Governance Manager advised that due to the Covid-19 pandemic, the Corporate Plan is not currently available in the new format.

To summarise, three of the recommendations are complete and therefore can be closed. The other two recommendations are almost complete; therefore, we have extended the target implementation dates to allow for the recommendations to be fully implemented.

### **2019/20 Safer Recruitment – Reasonable Assurance**

#### **Background**

Safer recruitment is the method of designing recruitment processes to deter unsuitable applicants from applying for roles with vulnerable groups, and to identify and reject them if they do. Safer recruitment processes should include things like:

- Informing candidates of the organisation's commitment to safeguarding
- Detail that candidates will undergo pre-employment checks and other checks - such as DBS - if appropriate to the role
- Carry out pre-employment checks
- Ensure staff receive appropriate training for their role

The traditional focus of Safer Recruitment is in education, social services and other sectors that have regular and direct contact with children. As a public facing organisation that provides front-line services to a wide range of individuals and groups, it is important that Cheltenham Borough Council (CBC) also has robust safer recruitment practices in place.

Pre-employment checks play an important part of the recruitment process and enable the organisation not only to ensure they are recruiting the most suitable person for the role, but also allows the organisation to safeguard against any negative impact caused by the recruitment of that impact – e.g. potential reputational risk. There are key pieces of legislation surrounding the recruitment process and pre-employment checks, such as the Immigration, Asylum and Nationality Act 2006 which covers illegal working and right-to-work checks and the Rehabilitation of Offenders Act 1974 which regulates the disclosure of criminal records.

The Disclosure and Barring Service (DBS) promotes safer recruitment choices by processing DBS checks, and also maintains the adults' and children's Barred Lists and decides whether an individual should be included on one or both of these lists and barred from engaging in regulated activity. 'Regulated activity' is defined in the Safeguarding Vulnerable Groups Act 2006 and is work that a barred person is not permitted to do. There are 3 levels of DBS check – basic, standard and enhanced – and a gov.uk tool allows potential employers to check which level (if any) of DBS check is required for the role they are recruiting for.

Recruiting managers are responsible for the initial stages of recruitment at CBC, from assessing need for recruitment through to interview arrangements, shortlisting, selecting the candidate and obtaining the applicant's relevant documentation. Once the successful candidate is chosen after interview, the HR Team conduct the rest of the process including the pre-employment checks. A Recruitment Guidance Flowchart is in place to set out the key steps and ensure compliance with the process.

#### **Audit Conclusion / Findings**

The recruitment and 'onboarding' process for new employees is effectively managed and administrated by the Recruitment and HR Teams. Safer recruitment practices have been embedded into the recruitment process by ensuring that all necessary pre-employment checks are made before an employee commences with Cheltenham Borough Council (CBC); the standard pre-employment checks carried out by the HR Team are in line with legislation and good practice within the HR sector (Chartered Institute of Personnel and Development). Recruiting managers are asked to indicate at an early stage whether the post they are recruiting for requires a Baseline Personnel Security Standard (BPSS) check or Disclosure and Barring Service (DBS) check is required for the post being advertised.

Some opportunities for improvement have been highlighted within the report around the DBS check procedure and four recommendations have been made to enhance the control environment and the procedures already in place.

CBC has three policies in relation to DBS checks, the handling of DBS information and the recruitment of ex-offenders. All three policies are out-of-date and require review and/or updating to ensure they are still relevant and in line with current legislation and guidance. A priority 2 recommendation has been made to this effect.

Testing was carried out to ensure that where BPSS or DBS checks had been carried out, the information recorded was both relevant and consistent. The information was also reviewed to ensure that renewals had been processed for any DBS checks that required them (3 years from the initial check date). Testing found that three of the twenty sampled officers had passed the renewal date with no action having been taken. This was reported to the HR Business Centre Team Leader and resolved during audit fieldwork. We were advised that the process in place for checking the requirement to renew DBS checks quarterly had not been consistently applied due to resourcing and workload within the department. A priority 2 recommendation has therefore been made to ensure this procedure is

carried out.

Although recruiting managers are prompted to indicate whether a BPSS or DBS check is required for a new post, this is not reflected in the form used when a Page | 2 Unrestricted current employee changes post within the organisation. A priority 3 recommendation has been made to amend the form to ensure that this prompt is made, reducing the resulting reputational or safeguarding risk should an unchecked individual be placed in a post that requires a BPSS or DBS check.

CBC does not currently have a Recruitment Policy in place. A priority 3 recommendation has been made for consideration to be given to implementing a policy which would not only ensure that all applicants are treated equally and fairly and promote transparency, but ensure consistency in the recruitment process – especially given the emphasis on recruiting managers to carry out the initial stages of the recruitment process.

Priority	Recommendation	Management Response	Due Date
2	We recommend that HR policies relating to DBS issues and recruitment of ex-offenders are reviewed to ensure they are still relevant and are updated in line with current procedure and legislation.	These policies will be reviewed to assess whether they are still relevant and necessary, and updates made accordingly.	31 <sup>st</sup> August 2020
2	We recommend that DBS renewal dates are regularly monitored and checks renewed in a timely manner. All DBS check details should be recorded within ABW to aid this process, including the original DBS check date, the DBS check renewal date and the DBS check reference number.	A process has been implemented to ensure that a report showing BPSS and DBS expiry dates is produced monthly from ABW in relation to DBS/BPSS checks and any required renewals are processed accordingly.	Complete

**2019/20 Payroll – Reasonable Assurance****Background**

Publica HR and Payroll Teams provide a centralised function for Publica employees and those of the Member Councils.

The scope of this review covers the Member Councils and Publica.

Employees' salaries are paid on the 20<sup>th</sup> of each month. Therefore, processes require all the necessary payroll changes to be in place, verified and authorised to ensure that employees are paid on time.

The HR and Payroll systems and the General Ledger systems are all part of the same integrated system – Agresso Business World (ABW).

**Audit Conclusion / Findings**

Testing was carried out on a sample of starters, leavers and payroll variations. The information recorded on ABW was compared to physical source documentation held within personnel files for each test to ensure accuracy and verification of data. Records were also checked to ensure that any changes were made in a timely manner.

Overall, testing results were satisfactory. One finding has been made relating to inconsistency of pre-employment checks during the onboarding process for starters. Instances were identified during testing where full references had not been obtained, and also identified that standard pre-employment checks were not applied to employees where TUPE transfers applied (nor was assurance gained from the previous employing organisation that these checks had been carried out previously).

In the 2019/20 Safer Recruitment audit, a suggestion was made to consider using third-party checks (e.g. BPSS or similar) for all employees. Currently, they are used only for employees working within specific teams or with access to certain systems/information. These third-party checks can verify right to work, employment history and can include a basic criminal record check. A recommendation has been made in this report to implement this within the recruitment process, to mitigate fraud and safeguarding risk and to encourage best practice.

Recommendations from the 2018/19 Payroll Audit were also followed-up as part of this review. Of four recommendations made, one has been completed and three are still in progress. The target implementation date of these recommendations has been amended to June 2020 and will be followed-up again at this time. Further information on the progress made to date can be found within the body of

the report.

Priority	Recommendation	Management Response	Due Date
2	We recommend that all new starters are subject to a BPSS (or similar) check regardless of the role to which they are being recruited. This will ensure that consistent checks of right to work, employment history and basic criminal record checks are carried out on all employees.	A piece of work has been carried out to re-write the pre-employment check process. The HR and Recruitment Teams are also working towards the implementation of an Application Tracking System (ATS), subject to approval at Publica and the Councils, which would help to mitigate the risks identified. The ATS would not allow for progression in the recruitment and onboarding process without specific criteria being fulfilled first (e.g. obtaining references, ID checks etc).	30 <sup>th</sup> September 2020

**2019/20 Treasury Management and Bank Reconciliation – Substantial Assurance**

**Background**

As part of the 2019/20 Internal Audit plan, a review was carried out to provide our partners and clients assurance over the adequacy of procedures and controls in respect of Treasury Management and Bank Reconciliations.

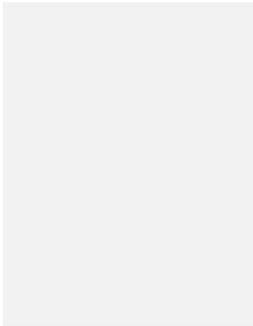
CIPFA defines Treasury Management (TM) as "the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks." The importance of Treasury Management to an organisation is evident from the CIPFA definition, and as such is included in each year's internal audit plan for review.

Bank reconciliation is one of the primary key financial controls to detect fraud and error, and as such it is very important to provide assurance that this fundamental control is being undertaken correctly and on a regular basis. Consequently, bank reconciliation is also included in each year's internal audit plan for review.

**Audit Conclusion / Findings**

We are pleased to offer Substantial Assurance for Treasury Management and Bank Reconciliation.

Records of investments and diversification were reviewed regarding Treasury Management investments, which were found to be in line



with the approved strategies of the authorities. There is an appropriate level of segregation of duty in respect on making investment payments, treasury information is accurately recorded, and updated regularly which allows detailed forecasting.

Bank reconciliations are conducted on a monthly basis for each Council. Any imbalances, as part of the process, are investigated and corrected prior to posting to the ledger. Bank reconciliations are reviewed by an independent officer prior to completion and posting.

