

Appendix 1

Internal Audit Monitoring Report

Audit	Report status	Assurance
Licensing	Final	Satisfactory

This review covers the Licensing Team along with the reconciliation and finance work of the Business Support Unit (BSU). We did not specifically review any of the responsibilities of the Enforcement Team.

Overall, based on our findings there has been a substantial improvement in the licensing function, since the last audit reports in 2004 and 2006, where results equated to a 'limited assurance' audit assessment. The 2006 audit cited gaps in controls, weaknesses in policies and procedures and lack of reconciliations. Since then the Licensing function has been completely restructured and re-staffed and there is a good working relationship within the team. A new Manager has also been in place since 2008. Many of those recommendations involving the Licensing Team have been actioned successfully and some are no longer applicable. We found Licensing Team procedures were well documented and available to all staff. Sample testing found that license applications and decisions are supported by a clear audit trail with detailed documentation scanned and in one place in the Uniform computer system. The taxi drivers 'open sessions' have improved customer relations as well as being a useful forum for any general licensing queries.

There are, however, some areas where further improvement is needed; the introduction of effective financial reconciliations in the Business Support Unit (this was not instigated by previous management), the urgent completion and approval of the 'Objects on Highways Policy', with its links to 'A' Board income collection and enforcement and appropriate risk management of 'old' style taxi plates.

Effective reconciliation of income on the General Ledger to the value of licences issued from the Uniform system should be performed to give full assurance that licences are only issued where payment has been received.

In respect of A-boards, a recent internal survey identified some 200 unlicensed boards being used around the town. Only 7 applications have been approved in the year to date. It is hoped that the new policy will be clearer in its application granting criteria, thus avoiding misinterpretation and the potential for public relations problems. The new policy should allow for appropriate delegation to licensing officers, excluding appeals, which would speed up processing times and save on overall license collection costs. Such a change should allow for effective and efficient 'A' board licence regulation procedures and be the basis on which income collection and enforcement, via fixed penalty notices, can be properly instigated.

Management fully accept that some of these areas are in need of positive action, as they can currently spend a disproportionate amount of time on them. The challenge will be to promote delegated changes, governed by the application of approved policy, with the Licensing Committee/Sub Committee, allowing elected members to

focus on matters under the appeals protocol.

We did identify one significant risk which is not currently entered into a service or departmental risk register and, therefore, being highlighted and managed appropriately. Prior to 2008, inadequate records were kept and maintained, which resulted in an unidentified number of 'old style' taxi plates (without expiry dates) being recovered. The risk of unauthorised vehicles operating could, therefore, result in adverse publicity for the Council, especially if an offence was to occur.

Systems and evidence show that the Council complies with its obligation to ensure that the granting of alcohol, premises and gambling licenses follow a consistent and transparent approach in compliance with the Licensing Act 2003 and the Gambling Act 2005.

In conclusion, our findings indicate many beneficial operational and structural improvements have been made, but there are some control and system improvement areas that now need to be fully implemented in order for the function to be fully effective. As a result, the licensing control environment has received a 'satisfactory' assurance level.

Management Response:

Following a number of meetings I am satisfied that the assurance level satisfactory is appropriate. Noted the highlighted areas of improvements required and these will be implemented in accordance with the proposed action plan.

Capital Programme	Final	Satisfactory
<p>The review has built upon the recent audit work undertaken on capital expenditure and asset management. Neither of these audits raised concern in relation to capital expenditure or controls exercised over the programme and indeed the core financial review gave a high assurance opinion on controls in place.</p> <p>The asset management review commented on the refreshed Asset Management Plan, its developing relationship to corporate strategy objectives and, with a Head of Property Services in place, the opportunity to build on links between the capital programme and asset management. The Head of Property Services has responsibilities as 'corporate landlord' and early consultation with him on relevant proposed capital projects which involve the estate to ensure that plans will have no detrimental affect on Council properties is appropriate.</p> <p>Identified system controls with the Council's Capital Strategy, Asset Management Plan and Medium Term Financial Strategy policy documents all contribute to sound procedures. The detailed annual (and longer term) capital programme is approved by Council and is subject to quarterly budget monitoring reports. Current financial constraints have imposed an efficient and effective discipline on schemes proposed for inclusion in the programme.</p> <p>A sample of schemes in the capital programme were reviewed in detail. Procedures for inclusion of these schemes in the capital programme are satisfactory. Detailed</p>		

comments arising from this check are included within the body of the report but concerns are expressed on financial cost control exercised over the increased costs of one of these schemes.

Management Response:

The purpose of the Council's Capital Strategy is to document the principles and framework that underpin its longer-term capital investment and expenditure proposals. The strategy is drawn up under the framework provided by the Local Government Act 2003 and its associated regulations.

The Capital Strategy outlines the Council's approach to decision making in respect of investment in the Council's property portfolio which support the Council's Asset Management Plan (AMP).

I therefore endorse the recommendation that the Head of Property Services (acting in his capacity as corporate landlord) should be consulted at the earliest opportunity on any capital scheme that may have consequences for the Council's estate and that an officer from within his team be appointed to any subsequent project board that may be created to ensure the scheme is completed.

As part of the outturn report, budget holders are responsible for requesting carry forward for unspent budget and this is facilitated by way of a narrative within the accompanying appendices to the outturn report. Recommendation 7 of the outturn report states "*note the capital programme outturn position as detailed in Appendix 11 and approve the carry forward of unspent budgets into 2011/12 (section 8)*". It is noted that the intention is to use the carry forward for non CCTV work and therefore a duly completed virement form will be required. Financial Rules are in the process of being written and are anticipated to be agreed by full Council on 10th October 2011. These rules specify what a service manager can and cannot do with regards to carry forward requests and virement.

I note the concerns expressed in relation to the 'Pittville Park Boathouse Bridge' scheme and would anticipate that the revised financial rules will help service managers to understand the level of virement that they can undertake to reduce the risk of a similar situation arising in the future.

Cash Receipting	Final	Satisfactory
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Cash receipting processes in the Cash Hall were reviewed earlier this year and are operating effectively. Recommendations made are being implemented and the recovery of credit card payments is also progressing positively. So this review has focussed on reconciliation of cash receipts, credit card charges, petty cash / cash float administration, PCI compliance, web and telephone based receipts and a review of cash receipting processes at the area offices of Cheltenham Borough Homes.

Overall processes and procedures for cash receipting are satisfactory, albeit there are areas outside the day to day operations that require some attention and

recommendations have been made and agreed.

Procedures for cash receipts and allocation of income to the general ledger are sound and operate effectively at both the Cash Hall and area offices. The key control of reconciling income distribution to the feeder accounts such as Council Tax, Sundry Debtors etc. is performed regularly by the Senior Revenues & Income Control Officer, although this process should be documented as currently reliance is placed on one officer to complete the task.

A recent customer complaint has highlighted inconsistencies in charges applied to payments made by credit card. Further investigations found that the Council does not have a policy for this charge and so service areas have adopted their own rules.

Financial rules are not being followed in respect of claims made through petty cash imprest accounts and cash floats. As a review of the Financial Rules is currently taking place for the Go shared service implementation, it would be a good opportunity to address these areas so that a fair and consistent approach is agreed.

Management Response:

Report findings and recommendations agreed

Development Control Planning Applications	Final	Satisfactory
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The work undertaken covered an audit of the planning applications processing of Development Management at Cheltenham Borough Council. The audit was included as part of the Internal Audit Plan for 2011 that was approved by the Audit Committee on 23 March 2011.

The Development Management team receive around 2000 applications for planning permission each year, which generates approximately £431,300 in fees and charges. Fees are set nationally and are published on the Cheltenham Borough Council planning website. The audit noted that fees were being promptly receipted and banked with cashiers daily. It was also observed that many applications were exempted from charges – such as conservation area consent and listed building applications.

Applications are being registered and validated promptly with decisions being made within the target date. All applicants and interested parties are informed of the decision using a system-generated standard letter. Applicants who were refused planning permission were informed of their 'right to appeal'.

Some recommendations have been made following the review to improve the process and provide greater assurances on the robustness of the information produced. These are mostly based on best practice and suggested to streamline the processing of applications and improve the accounting for the income received.

Management Response:

Report findings and recommendations agreed		
Risk Management	Draft	
Governance Compliance	Draft	
Waste Management - Income	Draft	
Information security	Ongoing	
Information Technology	Ongoing	
Core Financials **	Ongoing	

Follow-up of audit recommendations:

The audits followed up and reported below were completed between December 2010 and June 2011. This time window is wider than normal but enables the process of reporting follow-up activity to Audit Committee to start with a complete coverage of the 2011/12 financial year audits reported to the committee.

Debtors and Creditors

These were both satisfactory audit opinions. Recommendations in respect of Debtors have been fully implemented. The Creditors review included two medium level recommendations which are expected to be completed in the next quarter as part of the GO implementation project, including the update of authorised signatory lists (an essential requirement for the set up of automated processes in the new ERP system) and the production of guidance notes for BAC's payments.

Main Accounting System and Treasury Management

There were no significant recommendations last year and no priority recommendations have arisen out of this year's audits of the current system.

Cash Receipting

This was a satisfactory assurance audit opinion last year. Recommendations concerning the update of procedures are being addressed as part of preparations for GO shared service implementation. One medium risk recommendation concerning unpaid card transactions has been implemented and no further issues arose during the 2011-12 audit.

Payroll

Last year's limited assurance audit is currently being followed up and will include in the assurance opinion our comments on potential risks during the transition to the new ERP system planned for April 2012. We will update our audit opinion based on the results of 2011-12 testing and evaluation in January 2012.

Housing Benefits

This was a satisfactory assurance audit opinion. There were four medium level recommendations. All proposed actions have been implemented apart from completing a review of team roles, planned for January 2012, which is intended to create more resilience in the service given the overall reduction in team resources.

Enforcement Team Review (street scene)

This was a limited assurance audit opinion which resulted in a number of priority recommendations aimed at improving the performance, efficiency and financial control of the team. The management structure, procedural and performance issues identified in the report have been addressed. The option to introduce a GPS tracking system is being investigated to improve operational efficiency, control over expenses and to mitigate the risks of lone working. An improved manual system for scheduling and logging officers' movements is in place in the meantime.

Community Investment Grants

This was a satisfactory assurance opinion report with three medium level recommendations concerning improvements in outcome based performance monitoring and the approach to determining the level of grant award. Performance monitoring routines are now properly established for each of the CIG recipients. The recent transfer of responsibility for CIGs to the Strategy and Engagement Manager and the continuing development of a corporate commissioning approach is helping to deliver an improved outcome based approach to contract management and a needs based decision making process for grant funded services.

Town Hall Box Office Review

This review followed up control weaknesses identified as a result of a financial irregularity in 2010. There was a satisfactory assurance opinion and all the medium level recommendations have been addressed, partly through the implementation of the new Artifax event management system in early 2011. Also updates to box office procedures now ensure controls over refunds and other routine management reviews are in place.

Environmental and Sustainability Management

This satisfactory assurance opinion audit will be followed up in January 2012 and will take full account of the planned establishment of the Local Authority

Company in April 2012 and the influence of sustainability objectives in the council's commissioning structure and methodology.

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