

## Appendix 1

### Internal Audit Monitoring Report

| Audit  | Report status | Assurance    |
|--|---------------|--------------|
| Risk Management  | Final         | Satisfactory |
| <p>The risk management process at Cheltenham Borough Council was reviewed to seek assurance that the identification, monitoring and reporting of risks are sound and that there is an effective process in place to ensure divisional risks can be escalated to corporate level for further actions.</p> <p>The management of risk at corporate level has been greatly improved since the area was last reviewed in November 2009 and a 'satisfactory' audit opinion is now given.</p> <p>A new Risk Management Policy was approved in April 2011 which clearly identifies the Council's approach to risk management, roles and responsibilities. Monthly reviewing of the Corporate Risk Register by the Senior Management Team was introduced in the autumn of 2010 as a standing item on the meeting agenda. Previously risk management was discussed on an ad hoc basis. This regular reviewing process and quarterly discussions, plus scrutiny by members, has contributed to increased awareness of risks facing CBC, and improved the focus on risk management activities.</p> <p>We found limited evidence to support risk management activities at divisional level, although systems were in place to ensure emerging risks could be escalated to corporate level. The review found inconsistent use of terminology in divisional risk registers leading to risk scores being recorded differently. For example, some registers recorded 'original' risk scores and others recorded 'current' scores. If high scoring risks need to be escalated this inconsistent approach could lead to errors in transferring them to the Corporate Risk Register. Therefore a consistent approach should be adopted by the divisions which align to the corporate style.</p> <p>The Council is increasing emphasis on the commissioning model to deliver services and so effective management of risk will become even more important. As a result, ongoing promotion of risk management is paramount to ensure the process is understood and effectively managed. Additionally, it will help to support the embedding of a risk enabled culture at all levels of the Council.</p> <p>The KPMG Public Interest Report, dated 2 March 2010, recommended mandatory risk management training for Members and officers involved in risk management activities. The review found a basic e-learning module had been developed and launched in May 2011, which although ideal for new employees, does not give detailed guidance to officers and Members who have specific risk management responsibilities. Our review also found that some Members had not received this basic risk management training. Additional information to officers will hopefully be achieved through promotion as described above. We have recommended that the Corporate Governance, Risk &amp; Compliance Officer pursues with Democratic</p> |               |              |

Services for any additional Member training.

**Management Response:**

Report findings and recommendations agreed

|   |       |         |
|---|-------|---------|
| Governance Compliance<br>(Register of Interests &<br>Declaration of Gifts /<br>Hospitality) | Final | Limited |
|---|-------|---------|

Members are required by Section 81 of Local Government Act 2000 and Cheltenham Borough Council Member Code of Conduct to maintain their part of the Register of Interests. This Register is held by Democratic Services and is available for public inspection. The Register of interests had been completed after the election in May 2010. There were no subsequent amendments to the register entries and no effective system in place to remind Members to update their forms in the event of any changes to their personal interests. During the review an email was sent asking Members to update their interests form. Whilst acknowledging that it is the Members responsibility to comply with the Code of Conduct, introducing a robust reminder system is good practice in ensuring Members responsibility to register interests are not over looked.

Members' declarations of gifts and hospitality are also kept with the Register of Interests. There was an example of good practice where a member's declarations were made within 28 days of receipt of the hospitality; however there were several occasions where it was difficult to determine when the hospitality had been received and therefore whether the declaration had been made within 28 days as required by the Code of Conduct.

The Councils Constitution stipulates that senior management are responsible for ensuring officers' declarations of interests, gifts and hospitality are approved and recorded. The review found there are varying degrees of control across the Council due to the lack of a corporate system. Human Resources are aware and accept that a corporate system must be implemented urgently for both declarations of interests and hospitality, and are working towards achieving this goal by the end of December 2011.

The audit opinion therefore is a limited assurance as expected controls for officers' interests and hospitality are not in place and current processes are not robust enough to ensure the Members Register of Interests is effectively maintained or that declarations of hospitality are adequately recorded. Recommendations have been made and accepted which will improve the systems and controls. These changes will be followed-up in accordance with Audit Cotswolds protocol to ensure they have been implemented and result in the desired improvement.

**Management Response:**

Report findings and recommendations agreed

| Waste Management - Income   | Final | Limited |
|---|-------|---------|
| <p>The garden waste collection service makes a significant contribution to the recycling rate within the Borough. The Council has no statutory obligation to provide a free kerbside garden waste collection service and due to financial constraints can no longer provide the service free of charge</p> <p>A new chargeable service was therefore introduced from February 2011 for those residents who subscribed to the service by paying in advance for one year. For the duration of the subscription participants receive a brown wheeled bin for garden waste which is emptied fortnightly on the alternative week to the kerbside recycling box.</p> <p>Payment for the service is approaching the end of the first year and renewal procedures will shortly commence. The payment collection administration and customer services functions associated with the service are also to transfer from the Depot to the Municipal Offices before these procedures commence and in advance of Ubico Ltd being established from 1<sup>st</sup> April 2012.</p> <p>This review has therefore looked at current arrangements to ensure they are fit for purpose and that appropriate control arrangements are in place to ensure efficient delivery of the service.</p> <p>Current systems are based on the sharing of an in-house produced database from Tewkesbury but this arrangement, because of Data Protection issues and the decision by Tewkesbury not to sign up initially to Ubico Ltd, now has to change. The review has therefore also briefly looked at current and future proposals for system software to manage the scheme.</p> <p>Looking forward, the need to ensure suitable arrangements are in place to define roles and ensure proper links are maintained between payment administration, the collection service and customer services has also been considered.</p> <p>The review has highlighted a number of points concerning current control arrangements relating to both income management and the stock of green waste bins at the Depot. These are currently unsatisfactory and fall well short of complying with the Financial Rules of the Council.</p> <p>Some issues also emerged in relation to the total accuracy of the existing database (e.g 'chargeable' addresses not having been recorded in the database where these differ from 'bin' addresses; some duplication of entries in the database) which will cause difficulties in the renewal process if not corrected before renewals commence. Current availability of management reports from the database is also limited.</p> <p>Further discussion needs to take place on the detail of how tasks involved in day to day operation of the service are to be undertaken and the respective roles between customer services and operational staff at the depot. This is urgent and meetings are already taking place between relevant staff at the Depot and Municipal Offices. Staff now need to action this as a priority. The point is recognised in the Operations</p> |       |         |

Division risk register with a specific risk identified as high.

A number of initiatives are under consideration to develop the service and improve take up. These include alternatives to the brown bins for some roads (e.g. where terraced housing/narrow streets makes it difficult for residents to have bins); charging concessions; direct debit payments; future software developments (in conjunction with Cotswold District Council when the Waste Company has been established). Senior Management must ensure that capacity is available to ensure proper consideration before introduction of those initiatives adopted. Current considerations include allowing payment to cover '13 months for the price of 12' but with a current February 'start' date and no accrual taking place this would create major issues for the annual budget in 2 or 3 years time if this concession were to be repeated in a subsequent year. The Director, Operations states that this will be a 'one off' offer only.

The Council's fees and charges policy requires an annual review of charges to be undertaken. A report, part of which relates to this, will be going to Cabinet in December.

A number of potential risks have therefore been highlighted during the review and, pending action and clarification of these, the opinion rating arising from the audit is limited.

**Management Response:**

Report findings and recommendations agreed

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|-----------------|-------|------|
| Core Financials | Final | High |
|-----------------|-------|------|

This review encompasses the core financial systems which are fundamental to the financial management of the Council. These are:-

- Treasury management
- Budgetary control
- General ledger
- Bank reconciliation

No key issues or recommendations arose from the review of treasury management procedures.

No key issues arose from the review of budgetary control procedures. One recommendation has been made in relation to the authorisation of completed virement forms.

No key issues arose from the review of general ledger control procedures. One recommendation has been made in relation to the documentation of manual

journals.

No key issues arose from the review of bank reconciliation control procedures. One recommendation has been made in relation to the guidance in the GO Financial Rules.

Conclusions from the review are that all systems are operating effectively and that sound control procedures are being maintained, but that major risks are identified for next year in relation to maintaining appropriate controls during the changes arising from introduction of the new general ledger and the transfer of staff under the GO programme.

**Management Response:**

We are moving into a period of significant change for both officers who will move into GO Shared Services and officers who will remain within the retained council. As a consequence it is recognised that 'business as usual' has slipped in some areas to help deal with the demands of implementing a new ERP system and the creation of a shared service.

This report clearly demonstrates that despite these conflicting pressures the service overall has maintained a 'high' assurance level for system control.

Financial rules have been re-written as a consequence of the move to a new system and shared service and these revised financial rules should help service managers to understand the level of virement that they can undertake. I have reminded officers within the service that a signature must be obtained for each virement as required by the financial rules. I can therefore endorse the recommendations made in this report and for them to be submitted to Audit Committee.

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|---------|-------|------|
| Debtors | Final | High |
|---------|-------|------|

The Sundry Debtors system along with the two officers who administer the system have successfully transferred to the Finance division, and processes and procedures were found to be working effectively. A proactive approach to debt recovery processes has been implemented to ensure minimum debt is transferred to ABW. Recommendations from the previous audit report have been actioned and testing confirmed all was satisfactory. A high audit opinion is given for operational activity within the Sundry Debtors function. No key issues arose; although, testing of processes in service areas evidences some weaknesses, which will hopefully be addressed by the implementation of ABW and the roll out of training for users.

**Management Response:**

Report findings and recommendations agreed

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|----------|-------|--------------|
| Creditor | Final | Satisfactory |
|----------|-------|--------------|

Processes and procedures have not changed for the Creditors system since the last audit report, although a temporary trainee officer has been appointed to assist in payment processing due to the Payments Manager's increased involvement with

ABW. Testing found generally systems were sound and a satisfactory audit opinion is given. There was a concern with the processing of discounted invoices; a recommendation has been made and actioned. In addition a recommendation has been made in relation to duplicate payments.

**Management Response:**

Report findings and recommendations agreed

|                        |         |  |
|------------------------|---------|--|
| Payroll                | Draft   |  |
| Council Tax & NNDR     | Ongoing |  |
| Housing Benefits       | Ongoing |  |
| Information Technology | Ongoing |  |
| Information security   | 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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