Cheltenham Borough Council

Report of Internal Audit Activity

April 2022

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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- Appendices:

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.

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

- **No**
- **Limited**
- **Reasonable**
- **Substantial**

● Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Non-Opinion – 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.

Recommendations are prioritised from 1 to 3 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.

Categorisation of Recommendations	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

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.

Definitions of Risk

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

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
2020/21 Audits in Draft / In Progress at Annual Opinion								
Key Financial Control	Payroll	Final Report	Low Substantial	0				Reported in September
ICT	Systems Admin	Final Report	Medium Reasonable	2		2		Reported in September
ICT	Data Recovery Capabilities	Final Report	Low Substantial	1			1	Reported in September

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
2021/22 Audit Plan								
Operational	Accounts Payable	In Progress		0				Quarterly review of payments made. See Appendix C
Governance	Governance of Programmes and Projects	Final Report	High Reasonable	2		2		Reported in September
Operational	Procurement Cards	In Progress						
Operational	Election Expenses – Treatment of VAT	In Progress						
Follow-Up	Planning Enforcement	Final Report	Medium Reasonable	3		2	1	Reported in January
Operational	Procurement (Contract Management and Monitoring)	Final Report	Medium Substantial	1			1	Reported in January
Operational	Emergency Planning	Final Report	Low Reasonable	4	1	2	1	Reported in January
Operational	Publica Performance Information	Draft Report						
Governance	Risk Management	In Progress						
Governance	Governance and Monitoring of Strategic Partnerships	Final Report	High Reasonable	3		3		See Appendix C
Key Financial Control	Revenues and Benefits							
	• Council Tax and National Non-Domestic Rates • Housing and Council Tax Benefits	Final Report	Medium Substantial	-				Reported in January
Key Financial Control	Core Financials							

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
	• Accounts Payable							Quarterly review of payments made. See Appendix C
	• Main Accounting and Accounts Receivable	In Progress						
	• Payroll	Final Report	High Substantial	-				See Appendix C
	• Treasury Management and Bank Reconciliation	Final Report	High Substantial	-				Reported in January
Key Financial Control	Human Resources							
Operational	Business Grant Funding – Post Payment Assurance	Final Report	High Substantial	-				Reported in January
Key Financial Control	Other Support Service provided by Publica • Procurement (Compliance with Strategy)							Rolling audit. Now planned for 2022/23 following adoption of updated Procurement Strategy.
ICT	Vulnerability Management	In Progress						
ICT	Accounts with Admin Privileges	In Progress						
ICT	Software and Hardware Assets							
Grant Certification	Disabled Facilities Grants	Complete						
Grant Certification	Restart Grants	Complete						
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud Unit	On Going						

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							

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

Monitoring the Performance of Strategic Commissioned Services – Final Report – March 2022

Audit Objective	To establish and review the governance framework processes and structures in place between the Council and Commissioned Service Providers

Assurance Opinion

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	3
Priority 3	0
Total	3

Risks Reviewed

An inadequate governance structure and culture leads to a lack of direction, poor management and monitoring, inadequate decision making and a lack of transparency, which will impact on the organisations ability to deliver its corporate partnership objectives.

Assessment

Medium

Key Findings

The Risk Register in Clearview includes a relationship risk relating to Publica and several Ubico risks, but there is no risk relating to the Internal Audit service provided by SWAP. Given the diverse nature of the strategic commissioned service providers reviewed, each facing different issues, we would expect to find a Risk, outlining controls, specific to each provider either in the Corporate or Service Risk Registers.

The Corporate Risk Register was reported to Overview and Scrutiny Committee in September 2012. We can find no recent Agendas with risk reporting for the Audit, Compliance and Governance Committee who, amongst other things, has Risk Management as one of its remits.

Where the Member's Section 151 Officer, who has statutory responsibility for the provision of Internal Audit, is no longer serving on the SWAP Board, it was agreed by the SWAP Board that they could continue to receive the 'non-confidential' reports to provide them with necessary assurance such as the Financial Status of the Partnership; this is not happening.

Audit Scope

The scope of this audit, although touching on the arrangements in place for each Strategic Commissioned Service provider, focussed on the governance arrangements in place to assure the Member (Owner) Organisations.

Three Strategic Commissioned Service providers were reviewed as part of this audit:
- Publica
- Ubico
- SWAP

Summary Conclusion

The Governance over Strategic Commissioned Service providers is essential if the Council Owners are to be assured that they are receiving a quality service that represents value for money. From this review we can offer reasonable assurance that effective measures are in place through regular Officer/Member meetings and reporting through to the appropriate Council Committees. We have found that each of the providers fulfil their obligations outlined in their Agreements and Articles of Association.

The relationship with Strategic Commissioned Service providers, apart from SWAP, works differently for CBC than it does for the other Partner Councils. Each Provider has an assigned Director who acts as Service Commissioner and has the support of other staff who deal with the day to day operational issues, only escalating significant matters to the Director. This arrangement works well for CBC.

Accounts Payable – Continuous Auditing Analysis – March 2022

Audit Objective

The objective of the continuous review is to:
- Identify potential duplicate payments, summarise, and present to the AP team for remedial action,
- Review payments made on 'Sundry Supplier' codes to ensure genuine 'one-off' payments.

Audit Scope

1. Duplicate payments – review covers a period of 2 years, checking for potential duplicate payments for the Council and between Councils and/or Publica and/or CBH. Findings have been summarised and reported to AP for further review and correction where necessary. Findings have been followed-up during the subsequent review.

2. Sundry Suppliers – review covers current quarter, checking for numerous payments made to a supplier. Where examples of these are identified they have been reported to AP for further review and where appropriate the creation of a specific supplier record on AP will be required.

Testing / Findings	Q1 (Aug 21)	Q2 (Nov 21)	Q3(Feb 22)	Q4
Duplicate Payments				
Number of Duplicate Payments identified (paid twice including HRA expenditure)	6	1	2	
Value of Duplicate Payments identified (paid twice including HRA expenditure)	£3,614.64	£150.00	£2273.60	
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	0	5	
Value of Payments outstanding from previous quarter	n/a	£3,614.64	£1689.84	
Number of Duplicate Payments identified (paid by CBC and CBH)	3	0	1	
Value of Duplicate Payments identified (paid by CBC and CBH)	£2,116.18	£0	£388.12	
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	2	1	
Value of Payments outstanding from previous quarter	n/a	£1,112.54	£0	
Sundry Suppliers				
Number of supplier(s) appearing more than once under the Sundry Supplier Record	1	1	0	
Number of payments made to supplier(s) who appear more than once under the Sundry Supplier Record	2	2	0	
Supplier record created on BW	0	0	0	

For Information

This continuous report will be included within the annual AP audit report and will support the annual assurance score.

Payroll – March 2022

To provide assurance payroll deductions and payments to 3rd parties are made in accordance with agreed processes and are appropriate and timely.

Assurance Opinion

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	**0**

Risks Reviewed

Errors in deductions/payment and unreconciled items could lead to inaccurate financial data being submitted to government bodies, which may result in financial penalties and / or reputational damage.

Assessment

Low

Key Findings

This year's review specifically focussed on payments and deductions made via the payroll. Previous reviews have also been used to inform this assurance opinion.

CBC's Payroll suspense accounts have consistently balanced to zero at year end. Deductions from employees, payments to HMRC and to third parties can be traced through Business World.

Detailed payroll guidance and procedure documentation is available to all payroll team members. Checklists are used as guidance and to record when payroll processes are complete. Payroll tasks can be added and removed monthly, depending on requirements. Completed checklists are retained and changes can be tracked.

HMRC Real Time Information (RTI) reporting is in place enabling tax codes to be updated directly with HMRC prior to a payroll run. Off payroll employees are set up on the payroll system so tax can be paid as per the IR35 regulations.

Outstanding agreed actions from previous audits are now complete.

Audit Scope

This work addressed the above objective and reviewed the controls operating in the following areas:

- Review of suspense and/or holding accounts.
- Deductions from payroll
- Payments to HMRC and third parties.
- Payments to HMRC, pensions, etc made properly/timely.
- Progress on previously agreed actions.

Discussions were held with the Payroll Team Leader and payroll team. Most of the Information obtained has been provided by the payroll team. The payroll system and publicly available information has also been used.

Additional Information

We confirm Payroll procedures are in place to administer IR35 regulations for "off-payroll" employees. Control to determine these employees' rests with hiring managers; CBC may wish to consider whether the "off-payroll" employee process operating within service areas is effective.

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Responsible Officer	Update April 2022
Monitoring the Performance of Commissioned Strategic Services 46754	2	Given the diverse nature of the strategic commissioned service providers reviewed, each facing different issues, we would expect to find a Risk, outlining controls, specific to each provider either in the Corporate or Service Risk Registers. Risks relating to all strategic commissioned service providers should be reviewed on an annual basis to ensure that the status of the provider hasn't changed.	The S151 Officer should ensure that the Corporate Risk Register or Service Risk Register includes an individual risk for each of its Strategic Commissioned Service providers, separately and that these are reviewed at least on an annual basis.	Jun 2022	Executive Director – Finance and Property (S151 Officer)	
Monitoring the Performance of Commissioned Strategic Services 46708	2	The Council needs to be clear on which Committee is responsible for Risk Management and ensure that the Committee receive regular assurance on the effectiveness of Risk Management.	The Section 151 Officer should clarify whether responsibility for Risk Management rests with the Over and Scrutiny Committee or the Audit, Compliance and Governance Committee (which currently has Risk Management in its remit) and then ensure that regular Risk Management updates are presented.	Jun 2022	Executive Director – Finance and Property (S151 Officer)	
Monitoring the Performance of Commissioned Strategic Services	2	Where the Member's Section 151 Officer, who has statutory responsibility for the provision of Internal Audit, is no longer serving on the SWAP Board, it was agreed by the SWAP Board that they could continue to receive the 'non-confidential' reports to provide them with necessary assurance such as the Financial Status of the Partnership; this is not happening.	As agreed by the SWAP Board, the Section 151 Officer should ensure that they receive SWAP Board papers with the exception of those deemed 'confidential'.	Jun 2022	Executive Director – Finance and Property (S151 Officer)	

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Responsible Officer	Update April 2022
Planning Enforcement Follow-Up 44904	2	Enforcement performance monitoring is not recorded.	The Enforcement Manager advised the recording of one-to-ones in the conversation section of the L&D system is being trialled. The officer is hoping to have this action fully implemented by the end of October 2021. Review of the Enforcement Notices Issued spreadsheet can confirm the total number of Enforcement Notices issued are recorded against properties accordingly.	Nov 2021	Senior Enforcement & Compliance Officer	Information has been provided demonstrating the recording of one-to-ones in the conversation section of the L&D system. Data was also provided demonstrating that details of the action taken on each enforcement case is recorded within the Uniform system. A live demonstration of the one-to-one process and Uniform recording process was also shared. Agree Action implemented and closed.
Planning Enforcement Follow-Up 45224	2	Formal Planning Enforcement KPIs are not maintained.	Data quality will be reviewed to determine future KPIs. And that these KPIs will be added into Clearview along with the rationale behind them.	Jan 2022	Enforcement Manager	Work is in progress. We will follow up in due course.
Emergency Planning 46219	1	CBC Emergency Planning is not fully resourced	We will liaise with ELT to ensure Emergency Planning roles and on-call roles are adequately resourced.	~~Jan 2022~~ Jun 2022	DEPLO	Partially Implemented Evidence supplied to support 5 duty officers have been appointed and training has been provided, and a duty officer rota will commence from 21/02/22. The DEPLO advised loggists haven't been appointed yet due to a training availability delay - the training is specialised and provided by the county council's civil protection team. Revised Implementation Date

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Responsible Officer	Update April 2022
Emergency Planning 46173	2	Some Gold Commanders have not undertaken training in the last 3 years.	We will; • Ensure all officers undertake training every 3 years as per the ERP. • Introduce a cycle of awareness sessions for Members.	~~Mar 2022~~ Jun 2022	DEPLO	Partially implemented. The CEO and a Director completed gold training 24.01.22. The DEPLO confirmed others are on a waiting list but they cannot progress until new training dates are announced by LRF. The work plan states 'CBC staff to attend LRF/ other training as appropriate' by March 2022. And evidence supports a briefing is due to be given at an informal cabinet meeting in July. Revised Implementation Date
Emergency Planning 46171	2	No guidance for the use of Emergency Response WhatsApp groups.	We will liaise with the Counter Fraud Unit and ensure the Social Media Policy and guidance for WhatsApp use is provided to all emergency response officers. This guidance will ensure officers share information relating to emergency incidents securely, and chats are removed from personal devices when necessary.	~~Jan 2022~~ Jun 2022	DEPLO	Guidance to be drafted by CFEU
Procurement (Contract Management and Monitoring) 46226	2	Two versions of the Contract Rules were published on the Council's website and an out of date version was published on the staff intranet. The version within the Constitution does not include the 'Invitation to Tender' section. The section also refers to paragraph 11.3, but there is no paragraph 11.3.	The Head of Finance will ensure the correct version of Contract Rules are published in the Constitution and on the staff intranet.	Mar 2022	Chief Executive Officer	

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Responsible Officer	Update April 2022
Systems Admin 45115	2	Previous Recommendations not implemented		Jan 2022	ICT Audit and Compliance Manager	Followed up during the 'Privileged Account Management' Audit.
Systems Admin 45236	2	Some controls not as robust as expected		Jan 2022	ICT Audit and Compliance Manager	Followed up during the 'Privileged Account Management' Audit.
Governance of Programmes and Projects 45816	2	Benefits realisation processes are currently inconsistent. The Business Change Team Leader advised Clearview will be used going forward to inform managers when this needs to be completed. The officer advised service areas should have ownership of tracking outcomes and user experiences; however, this is not clearly stated in the project management guide.	• We will update principle 4 on the project management guide to state benefits realisation is the responsibility of the service area. • ELT will ensure there is ongoing oversight of projects and programmes in Clearview.	Oct 2021	Executive Director of People & Change	Principle 4 of the PM guide has now been updated. From the 12th January the Leadership Team will be reviewing a corporate project a week via Clearview with the lead PM. Action notes relating to the Clearview project update from Leadership Team meeting provided for meeting on 19/01/22. Agreed Action Complete and Closed
Accounts Payable 45450	2	Amendments to supplier accounts cannot be monitored.	We will contact Publica Business World On System Support & Maintenance to investigate how we can monitor amendments made to supplier accounts, and we will monitor account amendments weekly.	Sept 2021	AP Team Leader	This will be followed up during the annual Accounts Payable audit.
Asset Management 44678	2	Reconciliation between the Uniform system and the Council's finance system is not completed as per the Financial Rules.	Work with finance to implement a process whereby income recorded in Uniform is reconciled with the Business World system in accordance with the financial rules.	~~May 2021~~ Mar 2022	Head of Finance	Work is in progress, the Head of Finance is aware of this and has agreed to a revised implementation date

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Responsible Officer	Update April 2022
ICT Incident Management 44560	2	As part of the Information Security framework of policies, the Incident Management Policy is out of date and requires review, update, and approval. Update of the policies has been impacted by the Covid-19 pandemic, and the need for a review is recognised by the ICT Audit & Compliance Manager.	ICT Audit and Compliance Manager will review and update all ICT Security Policies following the completion of the Cyber Security audit report. The aim to have drafted policies by April 2021 for circulation to all network users.	~~April 2021~~ Mar 2022	ICT Audit and Compliance Manager	The refresh and update of all ICT Policies is in progress and will be subject to consultation. Revised implementation date
ICT Incident Management 44562	2	There is a lack of detailed standard operating procedural documentation. Incident management investigation is currently based on a high-level process flow-chart denoted in the Incident Management policy; however, this lacks detailed information on how to conduct an incident investigation.	We have now commenced with documenting our cyber incident and investigation managements procedures	Jan 2022	ICT Audit and Compliance Manager	Ongoing The ICT Audit and Compliance Manager is working with the Security Engineer on an incident playbook that define the procedures and steps to be taken during an incident investigation. On target for completion by January 2022. Will be reviewed in the Vulnerability Management audit
Property Use of Contractors 42058	2	We recommend i. that process documents and associated procedures, aligned with CBC's Contract and Financial Rules, are documented and put in place so that a consistent approach to tasks can be followed and undertaken within the team as soon as possible. ii. A review of the service design should be undertaken to ensure that appropriate and effective processes and structures are in place.	Develop flow charts and sub processes to be agreed and signed off by section 151 officer. Started and talked already with Director and Publica Procurement to produce report on options going forward for strategic procurement of building related needs.	~~Mar 2020~~ Oct 2021	~~Senior Building Surveyor~~ Head of Finance	Evidence has been received and confirms this agreed action has now been implemented. Agreed Action Complete and Closed

Audit Name	Priority	Finding	Agreed Action(s)	Due Date / Rev Date	Responsible Officer	Update April 2022
Property Use of Contractors 42057	2	We recommend: i. that unless specialist skills are required to complete specific works, only approved framework contractors are used for general building works. ii. that the progress of updating the contractor framework is pursued and if necessary escalated through Publica/One Legal Client Officers and Senior Management to ensure focus on this requirement is maintained.	Now using only framework contractors or obtaining waivers for non-specialist works. Additional frameworks are being pursued though One Legal for use of the GCC framework and Publica Procurement for additional frameworks.	~~Mar 2020~~ Oct 2021	~~Senior Building Surveyor~~ Head of Finance	Evidence has been received and confirms this agreed action has now been implemented. Agreed Action Complete and Closed

Summary of all Agreed Actions from April 2019 and Progress against them

CBC ONLY	Priority			
	1	2	3	Total
TOTAL in Audit Period (From 4/19)	1	23	15	39
Open and current	0	3	0	3
Open and Outstanding/Overdue Subject to follow up	0	0	0	0
Open with date extended	1	5	3	9
Closed	0	15	12	27

PUB ONLY	Priority			
	1	2	3	Total
TOTAL in Audit Period (From 4/19)	0	14	16	30
Open and current	0	2	1	3
Open and Outstanding/Overdue Subject to follow up	0	2	2	4
Open with date extended	0	4	5	9
Closed	0	6	8	14