

Cheltenham Borough Council

Report of Internal Audit Activity

January 2023

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The contacts at SWAP in connection with this report are:

Lucy Cater

Assistant Director

Tel: 01285 623340

lucy.cater@swapaudit.co.uk

Jaina Mistry

Principal Auditor

Tel: 01285 623337

jaina.mistry@swapaudit.co.uk

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Internal Audit Definitions

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.

Internal Audit Definitions

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.

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.



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.

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 Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Procurement Cards	Final Report	Low Reasonable	2	-	1	1	Reported in September
ICT	Vulnerability Management	Final Report	High Reasonable	1	-	1	-	Reported in September
Operational	Election Expenses – Treatment of VAT	Final Report	Medium Substantial	0	-	-	-	Reported in September
Operational	Risk Management	Final Report	N/A					See Appendix C
Operational	Publica Performance Information	Final Report	Medium Reasonable	2			2	See Appendix C
Operational	Taxi Licensing – Safeguarding	Final Report	Low Reasonable	5		2	3	See Appendix C
Operational	Climate Change (Strategic)	Final Report	Medium Substantial					See Appendix C
Operational	Accounts Payable (Qtly review)	In Progress	On-Going					See Appendix C
Operational	Business Continuity Management	In Progress						
Key Financial Control	Payroll	In Progress						
Key Financial Control	Treasury Management	In Progress						
Key Financial Control	Accounts Receivable	In Progress						
Key financial Control	Bank Reconciliations	In Progress						
Key Financial Control	Revenues and Benefits	In Progress						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
ICT	Business World – Workflow and Approvals	In Progress						
Operational	Minster Xchange	In Progress						
Operational	Mechanism for Charging Council	Planned for Q3						
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Publica Improvement Programme	On-Going						
Grant Certification	Protect and Vaccinate	Complete	N/A					
Grant Certification	Test and Trace Payment Scheme	Complete	N/A					
Grant Certification	Contain Outbreak Management Fund	Complete	N/A					
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	On Going						
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							

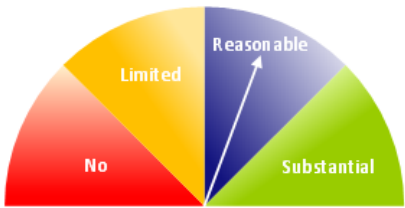
Summary of Audit Findings



The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

Publica Performance Information – Final Report – November 2022

Audit Objective

Analysis of Publica performance information provided to CBC.

Assurance Opinion	Number of Agreed Actions		Risk(s) Reviewed	Assessment
 <p>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.</p>	Priority	Number	Publica are not providing sufficient performance information to enable CBC Officers and Members to form an opinion on the performance of the contract.	Low
	Priority 1	0		
	Priority 2	0		
	Priority 3	2		
	Total	2		

Key Findings	Audit Scope
 <p>Original KPI measures and targets were developed with limited input from Service Managers and have not been fully reviewed since their implementation in March 2020. We understand that this has already been discussed and that management will be meeting in the coming months to undertake a root & branch review of KPI's, including the suitability of targets set. It is hoped that the revised KPI suite and associated targets will be in place by April 2023.</p>	<ul style="list-style-type: none"> Publica's approach to recommending appropriate performance indicators. Analysis of data collation methodology and authorisation. Publica's process for reporting KPI's. <p>Discussions were held with CBC (Client Officer and Programme & Governance Manager) and with Publica (Client Manager, AP Team Leader, and Chief Technology Officer).</p> <p>The period assessed covered Q4 2021-22.</p>
 <p>Testing on a sample of KPI's was largely satisfactory, with submissions for input to Clearview made on a timely basis. All KPI's tested contained up to date data on Clearview. However, none of the indicators tested was subject to a management check prior to submission. Embedding such checks into the submission process would strengthen controls over data quality and mitigate the risk of inaccurate and/or fraudulent reporting.</p>	

Further Information

During the course of the audit, software provider Clearview went into administration. However, a buyer has been found and efforts are in progress within CBC to establish a) the direction in which the new owners wish to take the firm, and b) whether an alternative provider may be better suited to the Authority's requirements. In the interim, Clearview remains fully operational and performance data is still being collated and input to prescribed timescales, as previously. All performance data is currently up to date on Clearview.

Reporting of Publica KPI data to Members was evident from Overview & Scrutiny committee minutes throughout 2021/22 and in the form of a year-end performance report and scorecard drafted by the (then) Executive Director for People & Change and the Manager for Performance & Risk.

Taxi Licensing Safeguarding – Final Report – September 2022

Audit Objective

To ensure the Council is fulfilling its safeguarding duties in relation to taxi driver licensing.

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	2
Priority 3	3
Total	5

Risks Reviewed

If the taxi driver licensing process is not handled in accordance with statutory guidance, someone could be harmed, and the Council will suffer reputational damage.

Assessment

Low

Key Findings



CBC have not introduced 6 monthly enhanced DBS checks as per the Common Standards for Licensing Hackney Carriage and Private Hire Drivers in Gloucestershire (Common Standards); 6 monthly DBS checks will be introduced.



Data analysis found some license status discrepancies; these are being investigated by the Business / Data Analyst. And over half of the open taxi related complaints in Uniform were from 2021; these have since been investigated and closed. Regular monitoring of applications and complaints will be introduced going forward.



CBC do not assess attendees' understanding of safeguarding training course content or safeguarding responsibilities; an assessment will be introduced. Mandatory safeguarding refresher training is due to be rolled out later this year and will be undertaken every 3 years.



The CBC Licensing Policy and Corporate Enforcement Policy do not include timeframes for informal complaints. Timescales for informal taxi complaints will be introduced and monitored.



There is currently no way to check if an applicant has lived abroad at any time and if a certificate of good character is required as per statutory guidance. All application forms will be updated with a declaration to capture this information.

Audit Scope

A safeguarding focused review of taxi driver licensing was undertaken. Control areas reviewed included;

- Application checks and license reviews.
- Safeguarding training.
- Complaints procedure.

Discussions were held with the Senior Licensing Officer, Licensing Officer, and Licensing Enforcement Officer.

Sample testing and data analytics were undertaken on the data received for new applications, application renewals and complaints received for both Hackney Carriage and Private Hire Vehicles from January 2020 – June 2022. Reports were generated from Uniform by the Head of Public Protection.

Other Relevant Information


Cabinet approved the adoption of the Common Standards in September 2021. The Licensing Policy was updated after the adoption of these common standards and changes to statutory guidance.

The Senior Licensing Officer confirmed CBC are part of the Gloucestershire Licensing Officers Group (GLOG), who meet quarterly. At the time of audit work (July 2022) evidence was seen to support a licensing data sharing agreement was in progress with GLOG.



Climate Change (Strategic) – Final Report – October 2022

Audit Objective

To ensure effective governance arrangements are in place to support and challenge the delivery of the Councils' corporate priority(ies) for Climate Change and the actions set out within Environment and Climate Strategy(ies).

Assurance Opinion	Number of Actions	
 <p>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.</p>	Priority	Number
	Priority 1	0
	Priority 2	0
	Priority 3	0
	Total	0

Risks Reviewed	Assessment
The Council experiences reputational damage, and potential financial loss, through failing to deliver on one of its corporate priorities, and take appropriate action to mitigate the threat of climate change and its associated impacts.	Low

Key Findings	
	<p>CBC has approved a Climate Emergency Action Plan (CEAP). This document maps the pathway to achieving net-zero targets with SMART actions that are prioritised for completion. To maintain appropriate Council oversight of the CEAP, the Overview & Scrutiny Committee receives annual reports and informal updates on progress. There's also a dedicated Cabinet Member for Climate Emergency. An internal strategy and performance system (currently Clearview) is used but recent issues have caused delays with officers updating progress. CBC's carbon emission data, published on their website annually, is the main measure of performance.</p>
	<p>Approved strategic documentation including the Corporate Plan, Place Vision and CEAP, defines CBC's commitment to the climate agenda. A couple of points for consideration are as follows:</p> <ul style="list-style-type: none"> CBC's Place Vision document was approved by Council in March 2018. It was noted that applicable timescales are not defined. Any review, update or replacement could clarify these. The Place Vision is the starting point for the Corporate Plan which was approved in July 2020 and is currently under review. The CEAP was approved in February 2022. Referencing the CEAP in updates to strategic documentation will A) Ensure links are strengthened, and B) Highlight the importance of the CEAP.

Audit Scope
<p>Our review focussed on the following areas:</p> <ul style="list-style-type: none"> A Corporate Plan and Environment and Climate Strategy have been developed and received Member approval to support the delivery of the Authority's Climate Agenda. Oversight and coordination of the delivery of the Environment and Climate action plan and the Climate Change corporate priority(ies). Climate Change Objectives are SMART (Specific, Measurable, Attainable, Relevant and Timely). Performance monitoring and reporting. <p>Discussions were held with the Director of Climate Change and Place Services and the Climate Emergency Programme Officer.</p> <p>Scope Limitations: Climate Change Operations and Carbon Reduction was not included in this review as separate audits focusing on these areas have been planned.</p>

Additional Information
<p>The current Climate Team consists of two Officers. CBC's CEAP references a commitment to future funding for the current Climate Team and advises there's an expectation that this team will need to grow. It's important Cabinet, Council and Committee functions remain aware of their key role in ensuring adequate resources to meet CBC's ambitious climate agenda.</p>

Accounts Payable Quarterly Analysis – Final Report – October 2022

Audit Objective

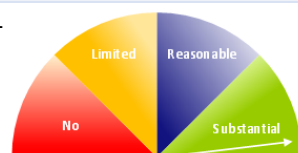
The objective of the continuous review is to identify potential duplicate payments, summarise, and present to the AP team for remedial action.

Audit Scope

Our review covers a period of 2 years, checking for potential duplicate payments at CBC, and between CBC and/or Publica, CBH or another Council. Findings have been summarised and reported to the Accounts Payable team for further review and remedial action where necessary. Findings have been followed-up during the subsequent review.

Assurance Opinion

Quarter 1



Quarter 2



Quarter 3

Quarter 4

The assurance provided above relates only to the controls and processes operated by the Publica Accounts Payable service.

CBC officers are responsible for approving invoices for payment and therefore must ensure robust checks are undertaken prior to authorising a payment. This will help to limit the risk of duplicate payments being processed.

Testing / Findings	Q1 (July 22)	Q2 (Nov 22)	Q3	Q4
Total number of payments made	1914	1979		
Number of potential duplicate payments identified (paid twice by CBC)	12	2		
Potential duplicate payments as a % of the total number of payments made for the quarter	0.6%	0.1%		
Value of potential duplicate payments (£50.9k were stopped by AP before payment was processed)	£56,343	£2,233		
Number of potential duplicate payments identified (paid by CBC and CBH)	1	0		
Potential duplicate payments as a % of the total number of payments made for the quarter	0.05%	-		
Value of potential duplicate payments	£480	£0		
Total value of outstanding payments to be recovered	£100	£2,367		

Conclusion

Although effective AP controls are in place to identify potential duplicate payments, CBC and CBH officers (HRA transactions) are responsible for approving invoices for payment and therefore must ensure robust checks are undertaken prior to authorising a payment. This will help to limit the risk of duplicate payments being processed.

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

Risk Management Maturity Assessment – Final Report – November 2022

Audit Objective

To assess Cheltenham Borough Council's Risk Management maturity against the Management of Risk (MoR) Maturity Criteria and Scale.

Executive Summary and Conclusion

Overview

Cheltenham Borough Council requested a Risk Management maturity assessment aligned to the principles of the Management of Risk (MoR) framework. The assessment included a review of the Policy, processes, risk register, and survey of employees tasked with Risk Management responsibility.

The 'MoR' criteria sets out maturity across five levels. *'Level 1' – Initial (least mature), Level 2 – Repeatable, Level 3 – Defined, Level 4 – Managed, and Level 5 – Optimizing (most mature).*

MoR Criteria and Assessment

1. Aligns with Objectives

We currently assess the Risk Management Maturity of 'Aligns with Objectives', at;

- **Level 3, 'Objectives are updated to reflect changing stakeholder needs and expectations'.**

2. Fits the Context.

We assess maturity of 'Fits the context', at;

- **Level 2, Repeatable; 'Examination of the context is built into the risk process'.**

3. Engages Stakeholders.

We assess 'Engages Stakeholders' at;

- **Level 3 'Communication strategy is developed. Stakeholder objectives are identified, captured, aired, aligned, agreed and signed off. differing stakeholder perceptions are understood.'**

4. Provides Clear Guidance.

We assess 'Provides Clear Guidance' at;

- **Level 2 (Repeatable) 'Policies and Process are defined. Process gaps are identified, assessed and corrected.'**

5. Informs Decision Making.

We assess 'Informs Decision Making' at;

- **Level 3 (Defined) 'Policies are further developed, refined and further disseminated. Central Risk function established. Senior Management reports in a consistent format.'**

6. Facilitates Continual Improvement.

We assess the maturity level of Facilitates continual Improvement at;

- **Level 2 - Repeatable. 'People are trained in the process. Awareness of the most commonly used techniques.'**

7. **Creates a Supportive Culture.**

We assess 'Creates a supportive culture' at;

- **Level 2 Repeatable – 'Risk owners, managers and actionees are identified, and risk actions assigned. Common barriers are recognised and addressed.'**

8. **Achieves Measurable Value.**

We assess the current maturity of Achieves Measurable Value at;

- **Level 3 (defined) - Performance Measures in place that show achievement of measurable value within organisational activities/perspectives.**

Conclusion

To fully embed a Risk Management culture within any organisation will take time for employee mindsets to change. This requires time spent on education, guidance, clear policy and processes, and importantly a clear direction and 'tone from the top.' A lot of work has gone into transforming Risk Management within Cheltenham Borough Council and the essentials have been implemented for a successful journey.

High level governance and underlying principles of risk management have been implemented and maturing. There is a clear Risk Management Policy. Objectives and goals have been set, SWOT analysis performed, and Performance Indicators are being developed. There are defined processes, and a designated system for use by staff. Direction and guidance is available by Risk Management accredited management.

More mature Risk Management processes exist at the corporate level and have been in place for some time. Risk Management at the operational level is heavily reliant on all staff embracing it. This requires understanding on what and how to recognise risks and opportunities to be able to manage them. It is in part driven by the risk management training provided, and discussion amongst peers. Good software enabling Risk Management has been procured which helps facilitate the process.

However, risk management is sometimes performed 'intuitively', meaning the underlying processes are not followed formally with the potential for leaving gaps. For example, risks may not be documented or are not officially reviewed and updated as often as they should be. This could lead to increased risk or missed opportunity. Reasons for this could be related to available time and other work pressures or just potentially misunderstanding of requirements. For example, areas such as risk-scoring and tolerance can be difficult concepts to understand from an operational perspective.

Generally, CBC are progressing well in their path of improving the risk management culture across the organisation and is an ongoing process of improvement. The overall level of maturity across the criteria is assessed at;

Level 3 – Defined. The MoR describes this as; *"Risk management processes are further developed and refined. A central risk management function has been created coordinating effort, minimizing duplication, creating an audit trail and ensuring a consistent approach. There is also a core of experienced individuals who are capable of modelling and response planning. EWIs are developed for operational risk and business continuity plans are prepared. The board debate the high-level risks on a regular cycle and risk management is used to improve business performance."*

It will take time to accomplish higher levels of maturity, but a continuing message of support and direction should be given to staff alongside continuing governance oversight. To assist in this area, CBC could perhaps consider;

- Endorsing 'Risk Champions' across different levels of the organisation that can help facilitate risk reviews, workshops and risk guidance.
- Include a standing item for general risk management discussion in management and team meetings.
- Include risk management objectives and discussions within role profiles and the 1-2-1 process.

- The introduction and use of an issue register, alongside and feeding the risk register (where and if deemed appropriate). Ongoing issues or problems may introduce additional unidentified risk or opportunity, requiring management action or escalation.

