

Cheltenham Borough Council

Report of Internal Audit Activity

April 2023

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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					Reported in January
Operational	Publica Performance Information	Final Report	Medium Reasonable	2			2	Reported in January
Operational	Taxi Licensing – Safeguarding	Final Report	Low Reasonable	5		2	3	Reported in January
Operational	Climate Change (Strategic)	Final Report	Medium Substantial					Reported in January
Operational	Accounts Payable (Qtly review)	Continuous						See Appendix C
Key Financial Control	Revenues and Benefits <ul style="list-style-type: none"> • Council Tax & NNDR • Housing Benefit & CTS Scheme 	Final Report	Medium Substantial	1	-	-	1	See Appendix C
			High Substantial	0	-	-	-	
Operational	Minster Xchange	Draft Report						
Key Financial Control	Accounts Receivable	Draft Report						
Key Financial Control	Payroll	Draft Report						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
					Key Financial Control	Treasury Management	In Progress	
Operational	Business Continuity Management	In Progress						
ICT	Risk Management	In Progress						
Operational	Mechanism for Charging Council						Commenced but deferred as piece of work being undertaken by Publica Officers	
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						
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						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
					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

Council Tax & NNDR Systems, and Housing Benefit & Council Tax Support Scheme – Final Report – February 2023




Audit Objective

To review the effectiveness of internal controls operating over collection and recovery actions ensuring the Council’s policy and financial rules are complied with and that processes meet external codes of practice, professional good practice and statutory standards are applied.

Assurance Opinion – Council Tax and NNDR		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	1
		Total	1
Assurance Opinion – Housing Benefit and Council Tax Support Scheme		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 does not collect all Council Tax and Business Rates due as a result of errors, omissions or fraud leading to financial loss or reputational damage.	Low
Risks Reviewed	Assessment
Housing Benefits and Council Tax Support claims are not processed correctly, completely and on a timely basis as a result of errors, omissions or fraud leading to financial loss or reputational damage to the Council.	Low

Key Findings

	Suppressed Accounts Reports for the Council Tax and NNDR (Business Rates) systems do not show clear separation of duties.
	The process for the recovery, and write off, of Council Tax and Business Rates is sound. A clear audit trail is maintained within the Civica Open Revenues system to evidence actions and decisions taken. Key control testing confirmed effective processes are undertaken.
	The process for the recovery of Housing Benefit Overpayments is sound. A clear audit trail is maintained within the Civica Open Revenues system to evidence actions and decisions taken. Access to sensitive cases is restricted ensuring confidentiality is maintained and data is secure. Key control testing confirmed effective processes are undertaken. We did not identify any areas for improvement actions.

Audit Scope

This year’s review focussed on collection and recovery processes and key control testing as follows:

- Council Tax and NNDR systems
 - Recovery, enforcement and write off procedures.
 - Collections - Payments and Direct Debit collections.
- Housing Benefit & Council Tax Support Scheme
 - Overpayments, Recovery, Payments/Plans, write off procedures.
- Key Controls for all systems
 - Financial Reconciliations / Suspense clearing.
 - Independent review of exceptions, e.g., suppressed accounts, accounts in credit, overpayments, refunds.

Conclusion

Overall, processes in place surrounding Council Tax, Business Rates, and Housing Benefits Overpayments are well managed, thorough, and are conducted in a timely manner.

We have raised one priority 3 action regarding Suppressed Account Reporting, which when complete will further strengthen the processes in place.

Discussions were held with officers undertaking the above processes, the Revenues and Benefits Leads, the Technical Leads, and Business Partner Accountant. Evidence sought to support statements made. The test period covered October 2021 – September 2022.

Accounts Payable Quarterly Analysis – Final Report – February 2023

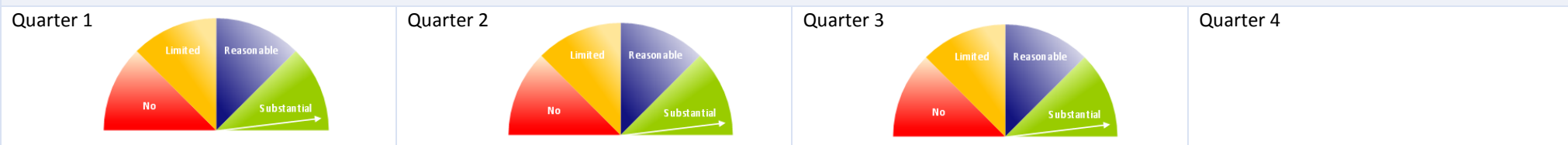
Audit Objective

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



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

Testing / Findings	Q1 (July 22)	Q2 (Nov 22)	Q3 (Feb 23)	Q4
Total number of payments made	1914	1979	3750	
Number of potential duplicate payments identified (paid twice by CBC)	12	2	1	
Potential duplicate payments as a % of the total number of payments made for the quarter	0.6%	0.1%	0.03%	
Value of potential duplicate payments (In Q1 £50.9k was stopped by AP before payment was processed)	£56,343	£2,233	£107	
Number of potential duplicate payments identified (paid by CBC and CBH)	1	0	2	
Potential duplicate payments as a % of the total number of payments made for the quarter	0.05%	-	0.05%	
Value of potential duplicate payments	£480	£0	£2,288	
Total value of outstanding payments to be recovered	£100	£2,367	£4,561	

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.

