Cheltenham Borough Council

Report of Internal Audit Activity

January 2024

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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  Internal Audit Definitions

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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.

- 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 Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
Key Financial Control	Payroll	Final Report	High Substantial	0	-	-	-	Reported in September
Key Financial Control	Treasury Management and Cashflow Forecasting	Final Report	High Substantial	0	-	-	-	Reported in September
Governance	Business Continuity Management – Elections and Revenues and Benefits	Final Report	Medium Reasonable	2	-	2	-	Reported in September
Governance	Business Continuity Management – Corporate Reporting	Final Position Statement	N/A	-				Reported in September
Governance	Access to Information	Final Report	Medium Reasonable	4	-	2	2	Report Included
Key Financial Control	Bank Reconciliation	Final Report	Low Substantial	1	-	-	1	Report Included
ICT	ICT Business Continuity Management	Final Report	Low Substantial	2	-	1	1	Report Included
Governance	Transparency Data	Final Report	Medium Reasonable	3	-	3	-	Report Included
Key Financial Control	Revs and Bens – Council Tax and NNDR	Final Report	High Substantial	0	-	-	-	Report Included
Key Financial Control	Revs and Bens – Council Tax Support and Housing Benefits	Final Report	High Substantial	0	-	-	-	Report Included
Operational	Grant Income	Draft Report						
Key Financial Control	Use of Waivers	Draft Report						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Accounts Payable	Audit in Progress						
Governance	Audit Committee Effectiveness	Audit in Progress						
Governance	Projects – Lessons Learned	Brief Issued						
Operational	Government Grant Funding	Brief Issued						
Key Financial Control	Appointment of Consultants and Contractors							
Key Control	Payroll							
Key Control	Human Resources							
Operational	Accounts Payable – Qtly Review	In Progress						
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						
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						

Audit Plan Progress

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

Access to Information – Final Report – September 2023

Audit Objective

To assess the effectiveness of the Council's procedures to handle Freedom of Information, Environmental Information and Data Protection requests in line with relevant legislation.

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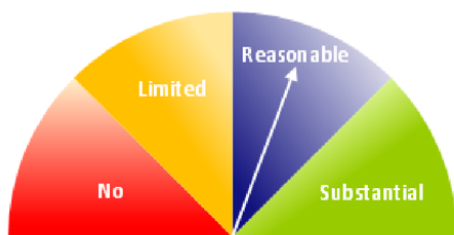
There is a generally sound system of governance, risk management and control in place. Some issues, noncompliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	2
Priority 3	2
Total	4

Risks Reviewed

The Council's reputation is damaged and financial losses occur through fines due to improper management of Information requests.

Assessment

Medium

Key Findings

The Council's information request disclosure logs are published on the Council's website but at the time of our audit the disclosure logs were only published up until June 2022 and the Council are not complying with the ICO best practice by publishing performance statistics.

We reviewed the response times for Environmental Information Requests (EIRs) between July 2022 and July 2023 and noted that only 69% were processed within the 20 working day legal requirement. However, this was due to a number of requests received from one organisation and a cap has now been placed on the number of requests this organisation can make per month. If this data is separated from the data set, 90% of the remaining requests were processed within the legal timeframe.

We reviewed the 2022/2023 annual information request report and noticed that some service areas were taking longer to respond to information requests than others. We were advised that feedback had not been given to these service areas and they had not been reminded of the Council's legal obligations to adhere to relevant deadlines.

The Council is in breach of their Privacy Statement for information requests as they still retained personal data for requests which were made more than two years ago, and retention of such data is not deleted in line with the privacy statement.

Audit Scope

An audit has been undertaken of Access to Information Requests at Cheltenham Council. Our audit included the following areas:

- Access to Information policies;
- Procedures for processing information requests;
- The timeliness of responses to information requests;
- The accuracy and quality of the information provided in response to information requests;
- The management of information request records; and
- Staff training provisions.

We would like to thank all staff involved for their assistance during the audit.

Other Relevant Information

Whilst the above findings were raised, it was pleasing to note a number of good practice areas. For example, there was a clear Access to Information Policy and robust processes for handling requests. Freedom of Information (FOIs) and Data Protection Act (DPA) requests were handled swiftly in most cases, with the response time frames between July 2022 to July 2023 exceeding the Council's KPI targets. The sample of requests reviewed were also handled professionally and the information provided was of good quality. By end of November 2023 all staff will have been trained on FOIs and the Council hope to move access to information requests onto a new digital platform by the end of the 2023/24 financial year.

It should be noted that there was an out-of-date policy Access to Information Policy published on the Council's website, but this was updated during the audit. Additionally, the Council do not currently log the reasons for late responses, but they will ensure this is included in the workflow within the new digital platform.

Bank Reconciliation – Final Report – November 2023

Audit Objective — To provide assurance that core financial processes are operated in accordance with agreed policy/procedure and with the Council/Clients Financial Rules.

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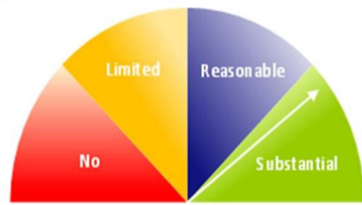
A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited

Number of Actions

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

Risks Reviewed

A lack of effective management of finance systems and processes may result in potential fraud, loss of income and reputational damage. The Financial Statements may not be accurate which may result in potential fines and additional pressures on already stretched resources.

Assessment: Low

Key Findings

We identified historic, outstanding entries (mostly income) in the suspense account stretching back several years, many of which are likely to remain unresolved. A standard process to deal with suspense account entries in a timely, efficient manner will be agreed and the outstanding entries actioned.

We can confirm the monthly bank reconciliation is being completed in a timely manner, is appropriately authorised and is in accordance with the Financial Rules.

Audit Scope

The following areas were reviewed:

- Processing of income and payment data into ledger, feeder systems etc.
- Suspense accounts, monitoring, processes.
- Reconciliation of feeder systems (NDR, CT etc) to the general ledger.
- Frequency and accuracy of bank account reconciliations.
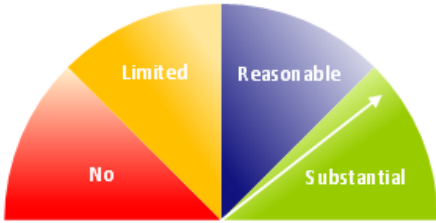- Authorisation process for bank account reconciliations.

Other Relevant Information

The audit was also undertaken at the other Publica partner authorities, it highlighted differences in working practices across each of the organisations. To increase operational resilience, management may wish to consider standardising working practices in all areas of the bank reconciliation process.

ICT Business Continuity – Final Report – November 2023

Audit Objective	To provide assurance that ICT Business Continuity/Disaster Recovery arrangements are managed effectively.

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	1
Priority 3	1
Total	2

Risks Reviewed

Inadequate recovery plans / procedures result in the indefinite loss of key systems and data. This means Council operations would be adversely impacted potentially causing financial losses and reputational damage.

Assessment

Low

Key Findings

Disaster Recovery Test: The established criteria for a successful test was being able to fully recover and operate the Business World application (including all clients) in a secure cloud environment using back-ups. Preparation was crucial for ensuring the cloud recovered application did not interfere with the live application hosted on the Council servers. Any technical issues encountered were resolved by the ICT recovery team and the application was operational within the same working day. Test financial reports and HR transactions were processed in the recovered system and checked against the live system. The recovery process is documented and available to members of the ICT recovery team. Processes are in place to ensure recovery communications are managed for both the ICT team and non-ICT stakeholders.

ICT and Emergency Planning Formal Engagement and Alignment: Regular formal engagement with the Emergency Planning teams of each key client hosted on the Council networks is required to support identification of issues, set expectations and align documentation.

Documentation Updates: A review of business continuity and disaster recovery documentation was completed. Several required updates have been identified.

Audit Scope

The audit includes:

• Review of ICT BCP / DR Plans – including processes, communication, assessment of system recovery
• Walkthrough of the Recovery Process
• Communication of test scenarios – reporting of lessons learned and areas for improvement/inclusion in plans

Scope exclusions: Service area plans are not included in this ICT review as they are audited separately.

Additional Information

We collaborated with the ICT team on the planning and execution of the recovery test. This enabled discussion on the audit requirements and technical step-by-step processes which helped to develop our understanding.
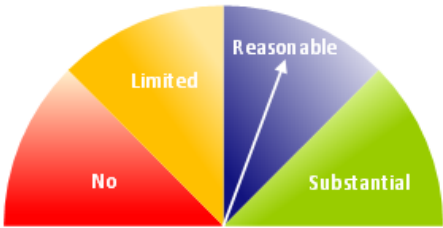
Timescales for recovery depend on several factors including the amount of cloud processing power purchased for recovery. For this test, the amount of processing power purchased was limited to save costs but still enabled recovery. In a real disaster recovery scenario, the ICT recovery team will decide upon the optimum processing power required to purchase.

Impact assessments have been completed to support the prioritisation of system recovery. In a real event, the priority of system recovery will depend on several factors some of which are outside of ICT's control (e.g. depending on the time of the month, payroll functions may be more of a priority than revenues and benefits and vice versa).

Transparency Agenda – Final Report – December 2023

Audit Objective	To ensure all data is published in accordance with the Transparency Code 2015.

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 Actions

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

Risks Reviewed

Information is mismanaged under the Transparency Code 2015, whereby the Council may publish incorrect information or be non-compliant with the Transparency Code.

Assessment

Medium

Key Findings

Whilst reviewing the Council's website to ensure that the data published was in line with the Transparency Code 2015, it was found that nine out of 16 areas were either not published or the information was out of date. These related to:
- Spending and procurement information
- Organisational information
- Land and Social Housing Assets and Paring Information

Further information, detail and actions made in response to our findings have been provided within Appendix 1.

During the audit we carried out a high level desktop review and the following key strengths were identified:
- The Council has published adequate data in line with the Transparency Code 2015 in seven out of 16 areas which includes: Expenditure exceeding £500; Grants to voluntary, community and social enterprise organisations; Waste contracts; Fraud; Constitution; Tenders and contracts; and Parking spaces.
- The Council's website was easy to navigate, with the transparency data split into relevant sections.
- Information published was clear and easy to read.
- The Council's website has links to the Transparency Code 2015 on it.

Audit Scope

An audit has been undertaken of the Transparency data at Cheltenham Borough Council (CBC). Our audit included the following areas:
- There are clear and understood Local Transparency guidelines and requirements of the Council.
- The transparency guidelines are adhered to, and responsibility has been assigned to ensure the required information is published on the Council's website.
- There is robust oversight and monitoring on the compliance with Local Transparency guidelines.
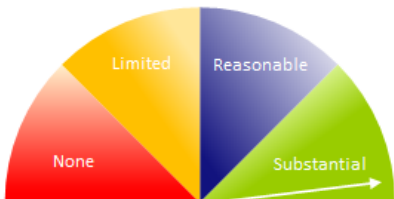
Other Relevant Information

Compliance with the Code is being monitored by a variety of officers in different teams. However, we noted information is not being monitored regularly and suggest an itemised schedule could be developed to keep track of requirements.

We would like to thank all the staff involved in the audit for the help and co-operation received during this review.

Revenues and Benefits – Final Report – December 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

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

Organisational Risk Assessment — Assessment

Our audit work includes areas that we consider have a low organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention, but could be addressed by service management in their area of responsibility

Low

Assurance Opinion – Housing Benefit and Council Tax Support Scheme

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

Organisational Risk Assessment — Assessment

Our audit work includes areas that we consider have a low organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention but could be addressed by service management in their area of responsibility.

Low

Key Conclusions

An action was agreed in last year's audit to establish a checking process for suppressed accounts to evidence segregation of duties. This year's testing showed this had not been effectively implemented. However, management provided evidence of the implementation of a more robust process prior to the issue of this report.

All testing on key controls for NDR & CT revenues was satisfactory. Processes and controls are well established and effective.

All testing on key controls for CTS/HB was satisfactory. Processes and controls are well established and effective. Additional work was undertaken on KPI's and Discretionary Housing Payment processes. Both of these were also seen to be effective, particularly DHP's where proactive initiatives are being considered to broaden the scope of available help for residents in financial difficulty.

Audit Scope

We reviewed the following processes:

- Key Controls for Council Tax & NDR.
- HB & CTS – KPI's relating to processing of new claims and changes in circumstances.
- Discretionary Housing Payments.
- Follow up of previous agreed actions.

The audit covers the period April 2023 – present.

Other Relevant Information

KPI's showed the current level of NDR customers on paperless billing was 19.7%. Similarly, 27.7% of households have registered for CBC My Revenues & Benefits which enables residents to manage council tax, business rates, housing benefit and council tax support accounts online. Management are looking to focus on these areas in the near future with a view to improving these figures, thereby reducing administrative time and costs whilst assisting the Council in achieving it's environmental objectives.