

Cheltenham Borough Council

Report of Internal Audit Activity

April 2024

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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	
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	Reported in January
Key Financial Control	Bank Reconciliation	Final Report	Low Substantial	1	-	-	1	Reported in January
ICT	ICT Business Continuity Management	Final Report	Low Substantial	2	-	1	1	Reported in January
Governance	Transparency Data	Final Report	Medium Reasonable	3	-	3	-	Reported in January
Key Financial Control	Revs and Bens – Council Tax and NNDR	Final Report	High Substantial	0	-	-	-	Reported in January
Key Financial Control	Revs and Bens – Council Tax Support and Housing Benefits	Final Report	High Substantial	0	-	-	-	Reported in January
Operational	Grant Income	Final Report	High Limited	4	-	3	1	Report Included
Key Financial Control	Use of Waivers	Final Report	Low Substantial	2	-	-	2	Report included

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
					Operational	Section 106 Agreements and Funds	Draft Report	
Operational	CIL	Draft Report						
Key Financial Control	Accounts Payable	Draft Report						
Governance	Audit Committee Effectiveness	Audit in Progress						
Key Financial Control	Appointment of Consultants and Contractors	Audit in Progress						
Operational	Government Grant Funding	Audit Ready						
Key Control	Human Resources	Audit Ready						
Governance	Projects – Lessons Learned	Audit Cancelled					Learnings from Minster Xchange project have informed projects and controls have been replicated across all projects.	
Key Control	Payroll	Audit Deferred						
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	

Audit Plan Progress

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

Grant Income – Final Report – March 2024

Audit Objective

To provide assurance that there are effective controls over the administration and management of the Council’s grant income by Service Managers including communication with the Finance Service and allocation of grant income.

Assurance Opinion



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.

Number of Agreed Actions

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

Risks Reviewed

The Council incorrectly awards and/or spends grant funding due to error, omission, fraud, or poor budgetary controls resulting in financial loss and reputation damage.

Assessment

Medium

Key Findings

	CBC do not have a policy/procedure for governing the administration and management of the Council’s grants.
	Grant funding agreements are not always issued to grant recipients and the arrangements for reviewing the funding agreements are not always documented.
	There was no formal process for panel members to declare conflict of interests before they are involved in the assessment, evaluation and decision making to award grants. There was not always segregation of duties between the staff involved in the grant evaluation and award process and those involved in approving grants for payment. The grant assessment process does not include the requirement to undertake due diligence on the governance and financial viability of potential recipients of grants.
	There was a lack of clarity to record third-party grant spends to voluntary, communities, social enterprise organisations “VCSE” on CBC’s Grants to VCSE Organisations annual published register.

Audit Scope

We will focus on reviewing controls in the following areas:

- Policies and procedures that govern the administration and management of the Council ‘s grant income.
- Process for allocating and administering grant income to third parties that includes due diligence, decision-making processes.
- Controls over grant expenditure to ensure it is in accordance with the grant terms and conditions.
- The accountability and oversight of grant income and expenditure.

Conclusion

A “limited” audit opinion has been provided. During our audit testing no grant funding error or fraud was identified. We found 4 improvements to strengthen the existing controls that are in place to administer and manage the CBC’s grant income and key findings contributing to the assurance are detailed above. Areas of good practice identified within this audit are detailed as follows:

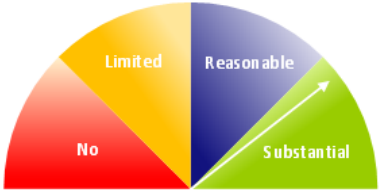
- The Council approved that third-party grant priorities were aligned to its strategic objectives/priorities.
- Cheltenham Health & Wellbeing “HWB” grant eligibility and evaluation criteria was defined. There was a process in place for allocating, evaluating and awarding HWB grants to third parties and there was a record of the decisions made.
- Regular performance reports were provided to Cheltenham Integrated Locality Partnership on the HWB grant’s activity and financial performance.
- The Household Support Fund grant’s performance outcomes were defined and an annual report was provided to CBC Cabinet on progress against the grant outcomes.
- There was an annual meeting with Finance to discuss grant income and expenditure performance.

Use of Waivers – Final Report – November 2023



Audit Objective

An audit review to assess if requests for waivers from procurement procedures are compliant with the Council’s Financial rules, and procurement policies and procedures. It will also seek assurance that they are given proper oversight, documentation is retained and that they are authorised appropriately.

Executive Summary

	Assurance Opinion	Management Actions		Organisational Risk Assessment	Low
	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.	Priority 1	0	Failure to comply with procurement policy leads to increased cost of contracts, reduced quality of contractors and an increased risk of procurement fraud.	
		Priority 2	0		
		Priority 3	2		
		Total	0		

Key Conclusions

	<p>To ensure the Waiver Register can be updated in a timely manner and to mitigate against any waivers being missed, the Contract Waiver Report Templates should be updated to state a copy of all approved waivers must be sent to Procurement.</p> <p>Most of the Officers we spoke to had a good awareness of procurement rules, but said they would appreciate refresher training on the use of waivers. The Senior Procurement Business Partner advised training will be delivered on the new Procurement Strategy in 2024, and the use of waivers will be included.</p>	Audit Scope	<p>A review of the Waiver process was undertaken (November 2023) and controls were reviewed in the below areas;</p> <ul style="list-style-type: none"> • Processes for requesting and approving waivers. • Staff awareness. • Document retention. • Process oversight.
	<p>CBC Officers attend the Publica Procurement and Commissioning Group monthly to review the pipeline and forward plan and discuss any supply chain and framework updates.</p> <p>During fieldwork approval evidence was supplied for all waivers in our sample.</p>		<p>Discussions were held with the Senior Procurement Business Partner, and a sample of Officers who had a waiver approved during the period reviewed (01/01/2023 – 08/11/2023).</p> <p>A random sample were selected to ensure waivers followed the prescribed process. Waivers that are requested but not approved are not recorded.</p>

Other Relevant Information

The total number of waivers approved at CBC during the test period reviewed were 13, with a total cost of £667.6K. The criterion for granting waivers is stated in the Council’s Contract Rules, which are being complied with. We accept urgent works require waivers to be used, but making better use of the Procurement and Commissioning Group meetings should help to reduce the number of waivers being requested.

2 actions have been agreed with Publica to address the findings.

