

# Cheltenham Borough Council Cheltenham Borough Homes

Report of Internal Audit Activity

October 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

<b>No</b>	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.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management
<b>Priority 3</b>	Finding that requires attention.

### Definitions of Risk

Risk	Reporting Implications
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	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	Funding Provided by Government	Final Report	Low Substantial	1	-	1	-	Report Included
Operational	Planning Service Review	Final Advisory Report	N/A	5	0	5	-	Report Included
Operational	Accounts Payable – Qtly Review – 2023/24	Final Report	High Substantial	0	-	-	-	Report Included
Operational	Appointment of Consultants	Final Report	Mid Reasonable	2	-	1	1	Report Included
Operational	CBH – Voids Review	Draft Report						
Operational	Property and Estates – Health and Safety	Draft Report						
Key Financial Control	Revs and Bens – Council Tax and NNDR	Audit in Progress						
Key Financial Control	Revs and Bens – Council Tax Support and Housing Benefits	Audit in Progress						
Key Financial Control	Payroll	Audit in Progress						
Governance	Data Protection / Breaches	Ready to Start						
Operational	Homelessness Deposit Scheme	Ready to Start						
ICT	3 <sup>rd</sup> Party ICT Outage	Ready to Start						
Grant Certification	Carbon Data 2023/24	Ready to Start						

## Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
					Support	Business Grant Funding – Aged Debt	On-Going	
Advisory	Support to the CBH Transition Programme	On-Going						
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Corporate Governance 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

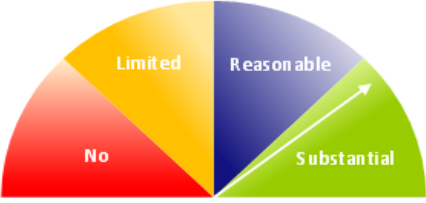
The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

# Funding Provided by Government – Final Report – June 2024




## Audit Objective

To provide assurance that CBC has processes in place to ensure proper management of affairs relating to their UKSPF allocation.

## Executive Summary

	<b>Assurance Opinion</b>  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.	<b>Management Actions</b>	<b>Organisational Risk Assessment</b>	Medium
		<b>Priority 1</b>	0	Our audit work includes areas that we consider have a medium organisational risk and potential impact.
		<b>Priority 2</b>	1	
		<b>Priority 3</b>	0	
		<b>Total</b>	1	

## Key Conclusions

	<b>Audit Scope</b>  The audit included the following:
	CBC have taken a decision to not routinely request evidence of expenditure for UKSPF allocated funds. The guidance in the UKSPF Prospectus permits authorities to be flexible in how the funds are delivered. Whilst we understand the rationale behind this, the fact that allocations are being paid in advance creates a fraud risk. Random checks of Project Managers' financial records would help to provide assurance that expenditure is appropriate and recorded.
	We saw comprehensive evidence of stakeholder engagement during the initial stages of development of CBC's Investment Plan, as per UKSPF requirements.
	There was ample evidence of effective working relationships and regular communications between CBC's UKSPF project lead and the Project Managers.
	<ul style="list-style-type: none"> <li>• Process for allocating funding.</li> <li>• Controls in place for making payments, including checks made to ensure that funds have been spent in accordance with the relevant conditions.</li> <li>• Processes in place to monitor expenditure.</li> <li>• Management oversight of the administration of the fund.</li> <li>• Internal and external reporting requirements.</li> </ul> The audit covered the period January 2022 – present.

## Other Relevant Information

Testing mainly focussed on revenue spending, since no capital spending has yet taken place. All capital funds have been allocated for 2024/25.

The projects are well managed and are performing effectively. However, careful attention should be paid to Project 5 (Electrical Infrastructure) which represents a significant part of CBC's UKSPF capital spend (£250k). Failure to deliver this (or a suitable replacement) project could adversely affect CBC's agreed split of Capital:Revenue spend for the UKSPF allocation for 2024/25 which in turn could lead to financial penalties for the authority.




# Planning Service Review – Final Advisory Report – June 2024




## Audit Objective

To review the decision making process for planning application reference 23/00625/FUL – 456 High Street

## Executive Summary

	<b>Assurance Opinion</b>	<b>Management Actions</b>		<b>Organisational Risk Assessment</b>	<b>Medium</b>
	The advice provided in this report encompasses risk analysis and evaluation based on current activity/operations. Please see the conclusions box for details of why an advisory report has been used.	<b>Priority 1</b>	0	Our audit work includes areas that we consider have a medium organisational risk and potential impact.	
		<b>Priority 2</b>	5		
		<b>Priority 3</b>	0		
		<b>Total</b>	<b>5</b>		

## Key Conclusions

	It was not clear / obvious (from the Planning Committee webcast March) the separation between Committee Members, objectors, and commentators in attendance at the meeting. To ensure Committee Members can debate without any risk of perceived undue influence, there should be a clear separation from other individuals present at the meeting.	<b>Audit Scope</b>  Processes and controls reviewed include: <ul style="list-style-type: none"> <li>Decision making and voting procedures.</li> <li>Conflicts of Interest</li> <li>Member / Officer conduct.</li> <li>Meeting minutes and webcasts</li> </ul>
	Although meeting minutes recorded the vote which was taken by a show of hands counted by the Committee Chair, the process seen on the webcast was confusing and could lead to challenge. Therefore, the electronic voting system used during Council meetings should be used for all decision making committees.	
	<p>The applicant's agent contacted the Planning and Legal teams regarding the process undertaken to determine the application. 3 members of the Planning Committee and officers reviewed the circumstances and concluded that no legal decision had taken place and therefore the application would need to be reheard. Also, there was no evidence to suggest that the Council would financially gain if the application was to be reheard.</p> <p>The webcast shows a vote for the reasons for refusing the application did not take place. This is a legal requirement. In addition, the Council's Planning Protocol (Constitution 5D 6.2.3) was breached as an Officer was not given the opportunity to explain the implications of voting against an officer recommendation. Members should be reminded of due process and/or refresher training provided to ensure compliance with required procedures.</p>	



Other Committee members, the objectors and the commentators were not formally advised that the application was to be reheard. It would be helpful if any changes and the reason for the change are formally communicated to all meeting attendees at the earliest opportunity. This would demonstrate clear and transparent processes operate.



A viability assessment to consider affordable housing was undertaken but not published as required by the Joint Core Strategy (SD 12). However, we can confirm this application was submitted prior to these procedures being introduced. And that the officer did explain this in the March meeting.

Questions were raised regarding the Council's pecuniary interest in the sale of the land adjoining the application site, and that there was a lack of transparency. Our review can confirm that this financial interest was declared in the Officer's report presented to Committee in December 2023 and in the updated report presented in March 2024. The disposal of this land was appropriately approved, and decision published on the Council's website in April 2020. Therefore, we do not consider there to be concerns regarding transparency.

Going forward officers have agreed that all viability reports will be published. And if this is not possible then a statement advising of the reason for non-compliance will be published.

#### Other Observations

We noted that no officers intervened the proceedings to clarify that due process had not taken place when the Committee was voting on the decision. There were officers present with the knowledge and seniority to do so. Had this standard procedure been highlighted, then the application would have been determined properly and would not need to be reheard.

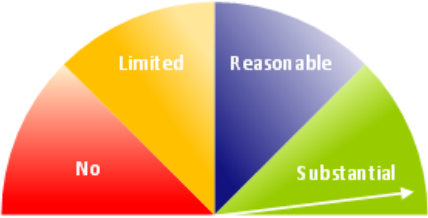
Furthermore, we noted that conflicts of interest were not formally declared in the March meeting (despite a personal connection being discussed) and the Member involved voted to refuse the application (vote was 5 for and 6 against). But in the May Committee meeting the same Member made the declaration excusing themselves and did not vote. Had the declarations been made in the March meeting, the resulting vote would have been 5 for and 5 against. In such circumstances the Chair would have had the deciding vote which means that permission would have been granted, as the Chair had voted for the application.


The determination of some planning applications will always be subject to differing opinions and decisions made will not always please everyone involved. However, due respect should be shown by all members and officers given that all are working toward achieving the Council's goals. Publicly criticising process, approach or outcomes will adversely impact on the Council's reputation.

Members should be reminded of the general principles of the Members' Code of Conduct which identifies the 7 Nolan Principles of Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, and Leadership) to be observed. Compliance with all aspects of the Members' Code of Conduct was not evident.

# Accounts Payable Continuous Analysis – Final Report – August 2024

**Audit Objective** To identify potential duplicate payments, summarise, and present to the AP team for remedial action.

Executive Summary											
	<b>Assurance Opinion</b> The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	<b>Management Actions</b>	<b>Organisational Risk Assessment</b>								
		<table border="1"> <tr> <td style="background-color: red; color: white;"><b>Priority 1</b></td> <td style="text-align: center;">0</td> </tr> <tr> <td style="background-color: yellow;"><b>Priority 2</b></td> <td style="text-align: center;">0</td> </tr> <tr> <td style="background-color: blue; color: white;"><b>Priority 3</b></td> <td style="text-align: center;">0</td> </tr> <tr> <td style="background-color: #d9e1f2;"><b>Total</b></td> <td style="text-align: center;"><b>0</b></td> </tr> </table>	<b>Priority 1</b>	0	<b>Priority 2</b>	0	<b>Priority 3</b>	0	<b>Total</b>	<b>0</b>	<b>Low</b>
	<b>Priority 1</b>	0									
	<b>Priority 2</b>	0									
<b>Priority 3</b>	0										
<b>Total</b>	<b>0</b>										
		Our audit work includes areas that we consider have a low organisational risk and potential impact.									

Key Conclusions		Audit Scope
 <p>Accounts Payable (AP) use Business World (BW) to process payments on behalf of partner organisations and Councils. We used BW to generate AP reports capturing payments to suppliers for the full financial year starting 1st April 2023 until 31st March 2024.</p> <p>A total of 111,655 lines of transaction data was analysed. We cleansed the data and applied conditional formatting to highlight duplicate transactions. We passed 15 duplicates with a total overpayment value of £20,439.71 to AP for further investigation. This represents 0.01% of total payments analysed.</p> <p>AP demonstrated that all applicable payments requiring further investigation had been appropriately resolved by either refund or credit note</p>		<p>Our review covers the full 2023/24 Financial Year, checking for potential duplicate payments at CBC, and between CBC and/or Publica, CBH or another Council.</p> <p>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.</p>

**Next Steps**

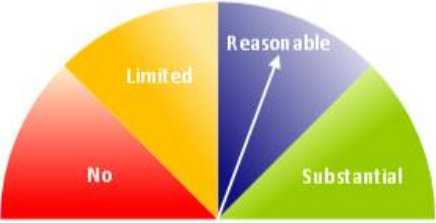
Our duplicate payment analysis will continue into the 2024/25 financial year.

# Appointment of Consultants – Final Report – August 2024




## Audit Objective

To review and assess the authority’s procurement and appointment of consultants ensuring compliance with policy and value for money is achieved.

## Executive Summary

	<b>Assurance Opinion</b> 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.	<b>Management Actions</b>	<b>Organisational Risk Assessment</b>	<b>Low</b>
	Priority 1	0	Our audit work includes areas that we consider have a low organisational risk and potential impact.	
	Priority 2	1		
	Priority 3	1		
	<b>Total</b>	2		

## Key Conclusions

	There is insufficient oversight and proactive reporting by the Publica Procurement team of consultants employed by the Council and their costs. In some instances, Procurement was not made aware of the appointments made directly by CBC officers, resulting in non-compliance with the Local Government Transparency Code 2015 because the Contracts Register maintained by the Procurement team was incomplete. Furthermore, the absence of a filter on the Contracts Register prevents effective scrutiny and reporting.	<b>Audit Scope</b> Throughout this audit, we reviewed the following key areas: <ul style="list-style-type: none"> <li>Guidance and Training available to staff members.</li> <li>Staff understanding of the Contract Rules.</li> <li>Scrutiny arrangements of consultant spend and Management Information.</li> <li>Business Case requirements.</li> <li>Contract information.</li> <li>The process of Post-Consultancy Reviews.</li> <li>Access to the IT Systems and Council property.</li> </ul> Interviews and walkthroughs were conducted with a sample of Officers who had undertaken a Consultancy Procurement exercise between April 2022 and February 2024. Discussions were also held with the Publica Procurement team. Evidence was sought throughout these meetings to support statements made.
	There is no induction or regular refresher training on Procurement processes for staff. Our samples evidenced that this has impacted officers on their ability to use self-service for procurement of consultants under £25,000 and they rely on the Procurement team for support and advice.	
	The sample of consultants reviewed from the Contracts Register demonstrated compliance with the Contract Rules.	

## Additional Information

Our action plan that accompanies this report will focus on the issues identified above and will help to ensure that compliance is consistent and that value for money is identified. During the audit, we confirmed that Consultants are engaged with sufficient Contracts or Conditions of Employment in place. Additionally, through discussions we concluded that Employment Status was considered in the procurement process, although there were varying levels of understanding among staff members. IT and Physical Access of Council property is carefully considered when employing a consultant; no issues were identified with this.

A Strategic Procurement Manager has been recruited by Cheltenham Borough Council (CBC) and will join in September 2024. This post will continue to strengthen Procurement Controls within CBC.

