

Cheltenham Borough Council

Report of Internal Audit Activity

May 2025

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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	Funding Provided by Government	Final Report	Low Substantial	1	-	1	-	Reported in October
Operational	Planning Service Review	Final Advisory Report	N/A	5	0	5	-	Reported in October
Operational	Accounts Payable – Qtly Review – 2023/24	Final Report	High Substantial	0	-	-	-	Reported in October
Operational	Appointment of Consultants	Final Report	Mid Reasonable	2	-	1	1	Reported in October
Operational	Property and Estates – Health and Safety	Final Report	Mid Limited	3	-	3	-	Reported in January
Key Financial Control	Revs and Bens – Council Tax and NNDR	Final Report	High Substantial	1	-	-	1	Reported in January
Key Financial Control	Revs and Bens – Council Tax Support and Housing Benefits	Final Report	High Substantial	0	-	-	-	Reported in January
Operational	CBH – Voids Review	Final Advisory Report	N/A	8	2	6	0	Report Included
Key Financial Control	Payroll	Audit in Progress						
Operational	Accounts Payable – Continuous Review – 2024/25	Audit in Progress						
Governance	Data Maturity	Audit in Progress						
Operational	Homelessness Deposit Scheme	Final Report	Low Limited	4	2	2		Report Included

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Operational	Counter Fraud and Enforcement Unit	Draft Report						
Operational	Members Allowances	Final Report	Low Reasonable	2	-	2	-	Report Included
Operational	Recharging Mechanisms (Housing Services)	Audit in Progress						
Follow Up	Grant Income Follow Up	Audit in Progress						
ICT	3 rd Party ICT Outage	Ready to Start						
Grant Certification	Carbon Data 2023/24	Ready to Start						
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 DBT
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						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec				Comments
					Priority			
					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							

Summary of Audit Findings


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

Voids Process – Final Report – October 2024

Audit Objective

To review the management of void properties including ordering, inspection, monitoring and payment processes.




Executive Summary

	Assurance Opinion	Management Actions		Organisational Risk Assessment
	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.	Priority 1	2	Our audit work includes areas that we consider have a high organisational risk and potential impact.
		Priority 2	6	
		Priority 3	0	
		Total	8	

NB: The findings below are a reflection of the audit at the time of fieldwork: July – August 2024

Since issuing our report, work is still ongoing to address the control weaknesses identified. The delay in reporting formally is due to subsequent investigations.

Key Conclusions

	There is no Voids Management policy or process documentation in place. The HHSRS (Healthy Homes Safety Rating Standard) is considered, but this is just guidance and there are no specific measures, therefore it is subjective and works undertaken are inconsistent.
	The Council's Financial Rules are not complied with. Substantial expenditure exceeding the Council's procurement thresholds, and those of the UK Procurement Act, is being awarded to companies whose contracts have expired. There was evidence of multiple orders raised against properties to keep within the £10k limit.
	Financial controls are not robust. <ul style="list-style-type: none"> General budget monitoring activity is ineffective. There is no budget monitoring activity within the Voids Service area 36 officers within the Repairs team have order approval permissions Quotations were not accessible, or were non-existent as works were ordered verbally Works orders can be raised and approved by the same officer up to the value of £10k Orders were inconsistent and did not always agree with works identified in pre-inspection documentation Orders were often raised after the works were completed to facilitate payment of the invoice Records maintenance is poor

Audit Background and Scope



Following the transfer of Housing Services back into the Council, the Director of Governance & Customer Services requested a Voids Process audit be undertaken. Concerns regarding process, procedure and expenditure had been raised.

Controls reviewed included:

- Policy and procedure/guidance
- Financial control arrangements - works awards, purchase orders, payment processes, budget monitoring, etc
- Management oversight and monitoring

Data analysis was undertaken on:

- All orders raised within QL (since 2019)
- Orders raised using the voids code in QL
- All expenditure with 2 specific contractors who were out of contract
- Voids code expenditure on Business World covering the last 5 years

	<p>The current structure does not support for effective management oversight. There is only one officer within the Building Services team who can approve orders over £10k. This means that works may be delayed and therefore perhaps a culture of splitting orders into smaller values has developed.</p>	
	<p>Declarations of Interests forms are not completed annually. We identified instances of conflicts of interest that could be subject to accusations of corruption or inappropriate gain.</p>	

Summary

The root cause for the weaknesses and control failings identified in this review are based around a culture of trust and expectations that officers will undertake their roles effectively given they have been in these roles for many years. However, these expectations if not managed effectively can lead to cutting corners to meet service demands, and risk breaching controls that are in place to protect officers, as well as providing the direction that the Council operates in.

The actions agreed in this review will help to address these findings. We can confirm that work is already underway and that we will follow up on progress in due course.

Homelessness Deposit Loan Scheme – April 2025

Audit Objective

To provide assurance on the effectiveness of CBCs process with regard to homelessness initiatives.

Executive Summary



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.

Management Actions

Priority 1 2

Priority 2 2

Priority 3 -

Total 4

Organisational Risk Assessment

Medium

Our audit work includes areas that we consider have a medium organisational risk and potential impact.

Key Conclusions



Signed loan agreement forms are not being consistently returned to the Housing Options team. Deposit Loans are regulated credit agreements and subject to requirements of the 1974 Consumer Credit Act. A signed agreement must be obtained by CBC to evidence statutory compliance and facilitate enforcement rights.



Internal financial controls are weak, with no process to record repayments against individual loans or record of the number of loans currently running. The Council has a statutory responsibility to maintain adequate records and steps need to be taken to strengthen controls in this area in order for the current method of provision to continue.



Testing revealed instances of non-payment of deposit loan instalments with no corresponding follow-up action taken. This lack of recovery action poses a risk of potential financial loss and non-compliance with deposit loan repayment terms.



The quality and availability of management information is poor. Current information lacks timeliness, relevance, and accuracy. The reliability of the Locata system was poor throughout the audit and basic information was unavailable on occasions. This issue has been identified as having the potential to adversely impact decision-making and the ability to effectively monitor and control operations.



Housing Benefit claims made in respect of overnight/emergency accommodation placements were complete with effective controls operating. All queries were satisfactorily resolved.

Audit Scope

The following processes were reviewed:

- Formal loan agreements outlining terms and conditions, eligibility, repayment schedules, and consequences of default.
- Loan recovery procedures - collection of instalments, follow up of borrowers in default including tracking and flagging of overdue accounts and overpayments.
- Financial controls, including reconciliation of funds disbursed, segregation of duties etc.
- Process and effectiveness of Housing Benefit claims made on behalf of CBC in respect of provision of temporary accommodation.

NB. Analysis of administration costs against amounts collected was not possible due to a lack of appropriate data/records.

Other Relevant Information

Users of the Deposit Loan Scheme are often vulnerable people and management are wary of being overly robust in enforcing repayment. Management have advised that it is legitimate to provide this funding on a non-repayable basis and that any repayments received contribute to support the overall Homelessness budget. However, there are statutory requirements involved with credit provision which are not being observed and potential reputational damage to the Council in not attempting to recover amounts due.

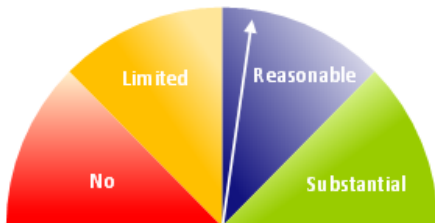
We suggest that consideration be given to reviewing the mechanism by which this support is delivered, such as provision of funding in the form of a grant (i.e non-repayable) or as a bond scheme, whereby landlords are provided with a written guarantee for a deposit up to an agreed value.

Members Allowances – April 2025




Audit Objective

To provide assurance that allowances and expenses claimed by Members are in accordance with the Council's Constitution, financial regulations, HMRC regulations and best practice.

Executive Summary

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

Key Conclusions

  	<p>Members Allowance Scheme guidance is not being followed with regard to expense claims. This includes instances where claims do not align with the outlined policies or where proper documentation is lacking. It's important to address this issue to ensure compliance with regulations and maintain the integrity of the expense claim process.</p> <p>Agreed policy/procedure is not being followed when processing Member expense claims. Non-compliance was established in respect of provision of receipts, timeliness of submission and level of detail entered with regard to mileage claimed. Non-compliance poses a risk to the Council's financial integrity. Non-submission of receipts also prevents VAT being reclaimed, where eligible.</p> <p>Our review of Members Allowance processing was satisfactory in all respects, with effective controls operating. All queries were satisfactorily resolved.</p>	Audit Scope The following processes were reviewed: <ul style="list-style-type: none"> • Procedure/guidance for the administration of Members Allowances and Expenses. • Members Allowance scheme setting and budget monitoring activity. • Review of Allowances paid to Members ensuring adherence with Schedule of Annual Allowances. • Review of Expenses submitted by Members ensuring appropriateness and compliance with VAT regulations. <p>The period examined was financial year 2024/25.</p>
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Other Relevant Information

It was evident from our testing that Members often choose not to claim allowances or expenses to which they may be entitled (Dependent Carers Allowance, for example).

Democratic Services have their own internal guidance document outlining requirements for processing Member expense claims. This gives a deadline for submission of claims as being three months from the date that the expenditure was incurred. S.6 of the CBC Constitution gives this period as two months. This should be addressed and the two documents standardised.