

# Cheltenham Borough Council

## Internal Audit Annual Opinion Report 2024/25

# Internal Audit Annual Opinion – 2024/25: ‘At a Glance’

## Annual Opinion



We are pleased to offer Cheltenham Borough Council a **Reasonable Assurance** for 2024/25  
This assurance is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation’s governance arrangements, risk management processes and internal control environment

## The Headlines

	<b>Audits undertaken for Accounts Payable and Revenues and Benefits (Council tax Support and Housing Benefits) resulted in Substantial Assurance with no agreed actions.</b> This signifies that internal controls are operating effectively and being consistently applied in these areas.
	<b>Significant risks were identified in respect of the reviews of Planning Service, Property and Estates (Health and Safety), Voids and Homelessness Deposit Scheme.</b> Progress is being made on the implementation of the agreed actions, which Internal Audit are monitoring.
	<b>26 reviews were included as part of the 2024/25 Internal Audit Plan.</b> Includes assurance, advisory and follow up reviews, and specific audit support. 5 reviews are at draft report stage and 3 are in progress.
	<b>Internal Audit staff supporting the Council.</b> Auditors continue to support the Council, by attending meetings, supporting projects and when necessary, conducting specific tasks for the Council.
	<b>Agreed Actions</b> Four agreed actions reported in 2023/24 remain open. Of the 26 actions agreed in 2024/25, 9 Priority 2 and 2 Priority 3 actions have been implemented, 15 actions remain open.

Assurance Opinions	2023/24	2024/25
Substantial	8	5
Reasonable	3	2
Limited	3	2
No	0	0
Support to the Council	5	5
Grant Certification	0	0
Advisory	2	3
Follow-Up	1	1
Agreed Actions	2023/24	2024/25
Priority 1	1	4
Priority 2	17	20
Priority 3	7	2
<b>Total</b>	<b>25</b>	<b>26</b>

## Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



### Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
  - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
  - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
  - the effectiveness of risk management processes; and
  - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

## Executive Summary

### Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit, Compliance and Governance Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

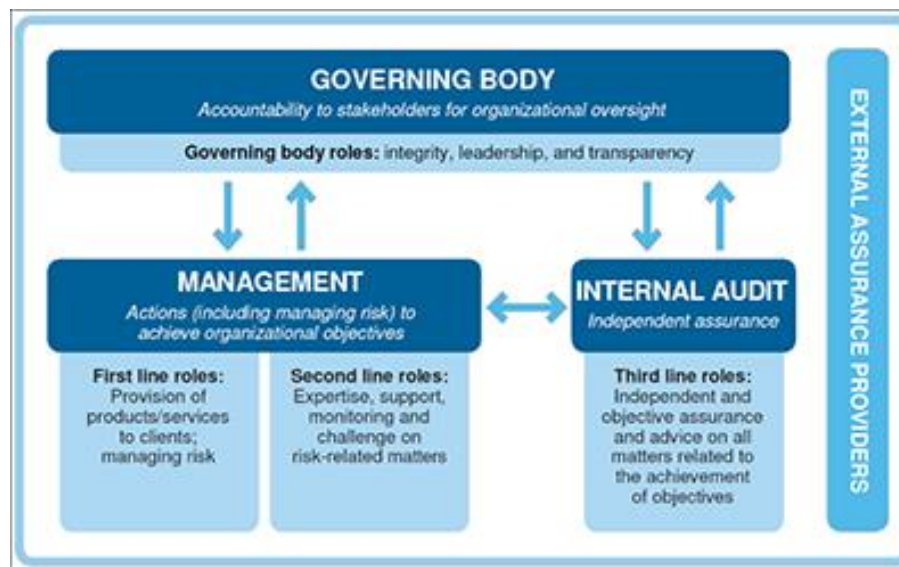


### Background

The Internal Audit service Cheltenham Borough Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2024/25 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



## Internal Audit Opinion 2024/25

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



### Annual Opinion

On the balance of our 2024/25 audit work for Cheltenham Borough Council, enhanced by the work of external agencies, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Audit work is planned to ensure that sufficient assurance will be available to inform the annual opinion as well as supporting the key priorities that underpin CBC's Corporate Plan (2023 – 2027):

- Enhance Cheltenham's reputation as the cyber capital of the UK
- Working with residents, communities and businesses to help make Cheltenham net zero by 2030
- Increasing the number of affordable homes through our £180m housing investment plan
- Ensuring residents, communities and businesses benefit from Cheltenham's future growth and prosperity
- Being a more modern, efficient and financially sustainable council

Our audit work supports each of these priorities, whether as an assurance audit, an advisory piece of work, ad hoc requests or support to the council.

The professional requirements of PSIAS have remained unchanged for 2024/25 and in line with these, audit priorities have been agreed throughout the year, and this work supports the annual opinion.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- *Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.*
- *Observations from consultancy / advisory support.*
- *Follow up of previous audit activity, including agreed actions.*
- *Assurances from other key sources and providers, including third parties, regulator reports etc.*
- *Ongoing support and advice relating to the risks associated with payments administered following the pandemic.*

Alongside direct internal audit work, the Head of Internal Audit can also place reliance on:

- *Work and investigations undertaken by the Council's Counter Fraud and Enforcement Unit.*
- *Updates and PSN certification undertaken by the Council's ICT Team.*

The following are considered key pieces of audit work that support the annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control.

- *Business Continuity*
- *Continuous assurance*
- *Key financial audits*
- *Information governance and security*
- *Key front line services*

*Furthermore, the Head of Internal Audit, or member of the Audit Team is an attendee at the following meetings:*

- *Procurement and Commissioning Group*
- *Corporate Governance Group*
- *Senior Leadership Meetings*



## Summary of Audit Work 2024/25

### Definitions of Corporate Risk

#### High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

#### Medium Risk

Issues which should be addressed by management in their areas of responsibility.

#### Low Risk

Issues of a minor nature or best practice where some improvement can be made



### Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that relate to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit, Compliance and Governance Committee attention.

We identified significant weaknesses in the following audits:

#### Planning Service Review

- No clear separation between Committee Members, objectors or commentators
- Electronic Voting system not in place
- Lack of awareness of Planning Committee Procedures
- No Conflicts of Interest were declared
- Lack of formal communication
- Viability Statements not published

#### Property and Estates (Health and Safety)

- No overarching policies or procedures for the Team
- Manual processes are in place which are unreliable – property data, health and safety compliance data, lease renewals
- Risk assessments had not been undertaken for relevant properties
- Lack of evidence of reporting to Members.

#### Voids

- No Voids Management Policy or Procedure
- Non-Compliance with Financial Rules – Procurement
- Non-Compliance with Financial Rules – Multiple Works Orders
- Quotations are not accessible and poor records maintenance
- Orders raised and approved by the same officer – no segregation of duties
- Declarations of Interest not recorded
- Ineffective Budget Monitoring
- Lack of Management Oversight

### Homelessness Deposit Scheme

- Unsigned loan agreements
- Weakness of Internal Controls – Financial and Administrative
- No follow-up action of Non-Payment of Loan Instalments
- Inadequate Management Information

To ensure control weaknesses are being addressed we have continued to follow-up all agreed actions made in previous years audits as well as current year ones which have passed their implementation dates. We have also introduced a process whereby the CFO receives a monthly report of all agreed actions which can be followed up with Officers and Publica where appropriate. There are currently four historic outstanding agreed action which have passed their implementation dates. We can confirm 9 Priority 2 actions and 2 Priority 3 actions from audits undertaken in 2024/25 have been implemented.

All audits, and progress against agreed actions, have been reported throughout 2024/25 to the Audit, Compliance and Governance Committee.





## Summary of Audit Work 2024/25

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

### Assurance Definitions

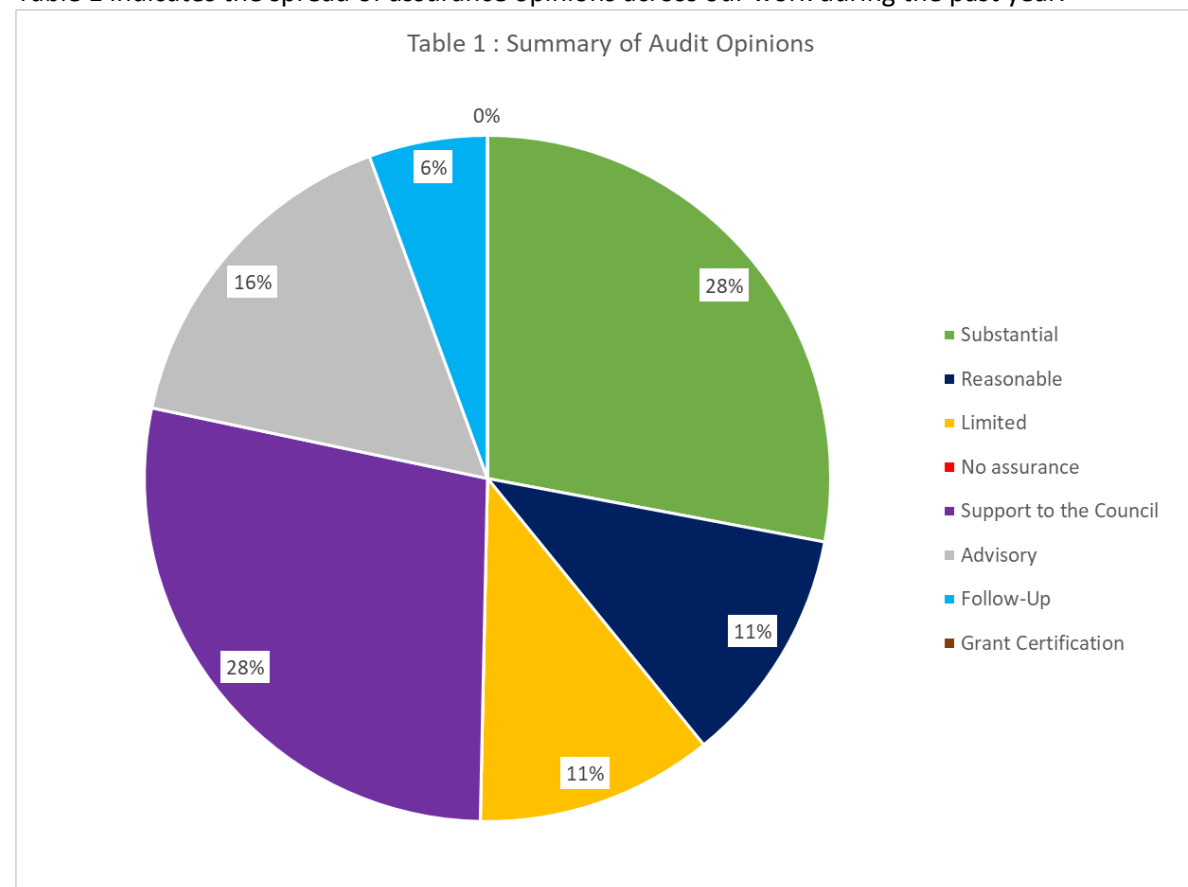
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance 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.



### Summary of Audit Opinion

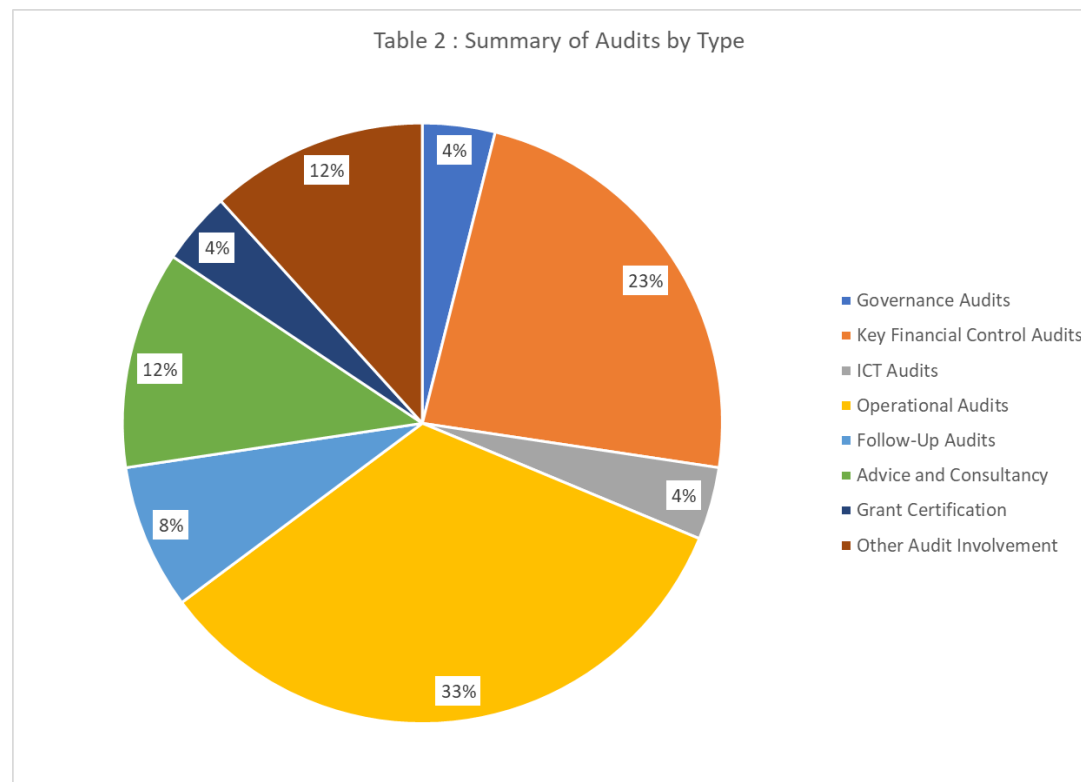
The following two charts summarise the audit opinions and audit work, and involvement, during 2024/25.

Table 1 indicates the spread of assurance opinions across our work during the past year.



## Summary of Audit Work 2024/25

Table 2 indicates the audit work by type.



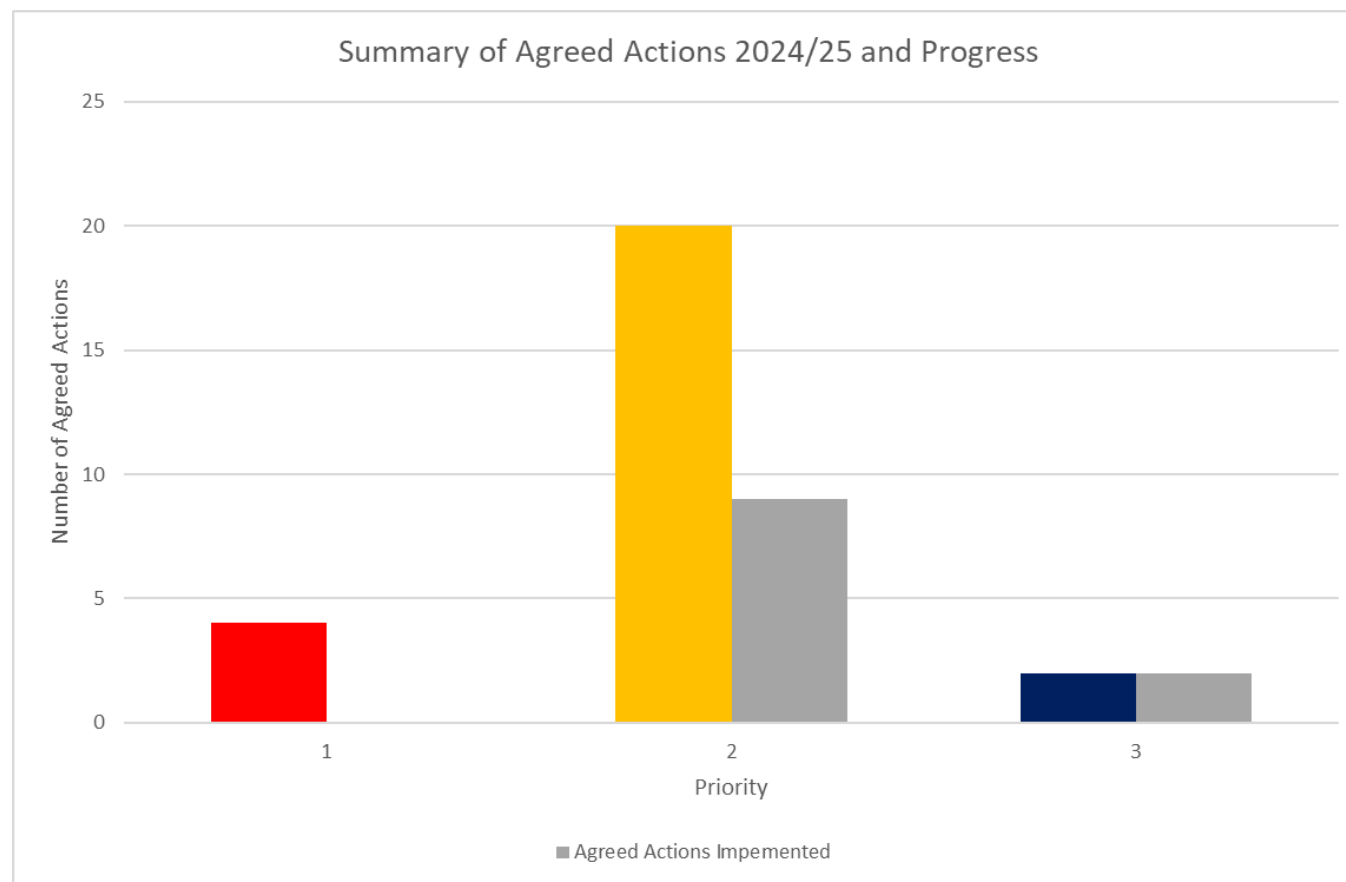
## Summary of Audit Work 2024/25

### SWAP Performance - Summary of Audit Actions by Priority

We rank our actions on a scale of 1 to 3, with 3 being medium or administrative concerns to 1 being areas of major concern requiring immediate corrective action



### Priority Actions



### Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



### Added Value

Throughout the year, SWAP strives to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost.

#### Corporate Groups

During the year we have attended a number of corporate groups to act as a 'critical friend'.

#### Benchmarking

During the year we have provided benchmarking data across either the SWAP partnership or the wider reach of the Local Authority Chief Auditors Network (LACAN). This data is useful for services to develop and improve their own systems and processes so that business objectives can be achieved with continually decreasing resources.

#### News Roundup

We produce a fortnightly newsletter that provides information on topical areas of interest for public sector bodies.

#### Client Liaison

The Auditors meet regularly with Service Managers to discuss potential operational risks and issues, identify areas for audits and plan up-coming audits.

#### Audit Protocol

We have an audit protocol which defines the role of the audit team and what is required for an audit. The aim of the protocol is to improve the audit process for our audit clients and to ensure we can deliver an excellent audit in an efficient and effective manner.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



### SWAP Performance

The Global Internal Audit Standards set out an obligation for SWAP to monitor and report on its performance to our Partners. This includes two principal dimensions; the quality of work that we complete relative to those Standards and the quality of service we provide to Partners.

On Standards compliance, SWAP recently commissioned an External Quality Review which reported in January 2025. That review, completed by Devon Assurance Partnership, concluded that SWAP “generally conforms” to Standards, which is the highest rating then-available in the Institute of Internal Audit’s Quality Manual.

Beyond that periodic review, we also have a variety of internal systems aimed at quality assurance. We are currently reviewing those systems in the wake of new Global Internal Audit Standards which came into effect in the UK public sector on 1 April 2025. We will report outcomes of this review alongside our annual opinion work later in the year.

On quality of service, we collect both quantitative and qualitative data. Our principal vehicle for quantitative data is the Post Audit Questionnaires distributed to key contacts following each individual audit engagement. Unfortunately, at CBC only a quarter of questionnaires issued were returned, which does not provide sufficient quantitative data to draw conclusions. We are engaged in discussions with Senior Leadership Team to try and improve response rates.

Qualitatively, as well as informal feedback through regular contact, we monitor formally through our Operational and Ownership Board structure. SWAP is owned by its Partners, each of whom provide a representative to our Owners Board. Each Board meets regularly to oversee SWAP’s performance, with direct links to our Executive Leadership Team and Chief Executive to discuss the service we provide.

From 1 April 2025 the new Global Internal Audit Standards apply, alongside the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government. We will report conformance against these new Standards as part of our 2025/26 conclusion.



## Summary of Internal Audit Work 2024/25

Audit Type	Audit Area	Status	Opinion	No of Actions
<b>2024/25 Finalised and Completed Reviews</b>				
Operational	Funding Provided by Government	Final Report	Low Substantial	1
Operational	Planning Service Review	Final Advisory Report	N/A	5
Key Financial Control	Accounts Payable – Qtly Review – 2023/24	Final Report	High Substantial	0
Operational	Appointment of Consultants	Final Report	Mid Reasonable	2
Operational	Property and Estates – Health and Safety	Final Report	Mid Limited	3
Key Financial Control	Revs and Bens – Council Tax and NNDR	Final Report	High Substantial	1
Key Financial Control	Revs and Bens – Council Tax Support and Housing Benefits	Final Report	High Substantial	0
Operational	CBH – Voids Review	Final Advisory Report	N/A	8
Operational	Homelessness Deposit Scheme	Final Report	Low Limited	4
Operational	Members Allowances	Final Report	Low Reasonable	2
Key Financial Control	Accounts Payable – Qtly Review – 2024/25	Final Report	High Substantial	0

## Summary of Internal Audit Work 2024/25

Audit Type	Audit Area	Status	Opinion	No of Actions
Support	Business Grant Funding – Aged Debt	Complete	Support to the Council	N/A
Follow-Up	Follow-Ups of Agreed Actions in Substantial and Reasonable Audits	Complete	Follow-Up	N/A
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	Completed	Support to the Council	N/A
Other Audit Involvement	Management of the IA Function and Client Support	Completed	Support to the Council	N/A



## Summary of Internal Audit Work 2024/25

Audit Type	Audit Area	Status	Comment
Draft Reports			
Operational	Counter Fraud and Enforcement Unit		
ICT	Disaster Recovery – Revenues and Benefits		
Key Financial Control	Payroll – Publica Controls		
Key Financial Control	Payroll – Council Controls		
Governance	Data Maturity		
In Progress			
Operational	Recharging Mechanisms (Housing Services)		
Follow-Up	Grant Income		
Grant Certification	Carbon Data 2023/24		
Ongoing Audit Support / Other Involvement			
Advisory	Procurement and Commissioning Group		Support complete for 2024/25, will continue into 2025/26
Advisory	Housing Services Transition into CBC		Support complete for 2024/25, will continue into 2025/26
Advisory	Corporate Governance Group		Support complete for 2024/25, will continue into 2025/26
Support	Elections		Support complete for 2024/25, will continue into 2025/26

