Cheltenham Borough Council

Report of Internal Audit Activity

January 2026

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

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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.

● 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
Operational	Counter Fraud and Enforcement Unit	Final Report	Low Substantial	1	-	-	1	Reported in July
Key Financial Control	Payroll – Publica Controls	Final Report	Mid Substantial	0	-	-	-	Reported in July
Key Financial Control	Payroll – Council Controls	Final Report	Low Reasonable	2	-	2	-	Reported in July
Follow-Up	Grant Income	Final Report	N/A	0	-	-	-	Reported in July
Governance	Data Maturity	Final Report	N/A	0	-	-	-	Reported in October
ICT	Disaster Recovery – Revenues and Benefits	Final Report	Low Substantial	0	-	-	-	Reported in October
Follow-Up	Voids Review	Interim Report	N/A	0	-	-	-	Reported in October
Operational	Recharging Mechanisms (Housing Services)	Final Advisory Report	N/A	10	5	3	2	Reported in October
Follow-Up	Recharging Mechanisms – Interim Report	Interim Report	N/A	0	-	-	-	Report Included
Key Financial Control	Bank Reconciliations	In Progress						
Operational	Income Streams (Licensing)	In Progress						
Follow-Up	Property and Estates	In Progress						
Operational	Climate Change – Operational	In Progress						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Revs and Bens – Council Tax and NNDR	In Progress						
Key Financial Control	Revs and Bens – Housing Benefit and Council Tax Support	In Progress						
Operational	Housing Allocations	Planned						
Operational	Accounts Payable – Quarterly Review 2025/26	On Going						
Grant Certification	Carbon Data 2023/24	Ready to Start						
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						

Audit Plan Progress

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

SWAP
INTERNAL AUDIT SERVICES
Assuring – Improving – Protecting

SWAP 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.

Recharging Mechanisms & Section 20 Process Interim Report – January 2026

Interim Report Objective	Interim report of 2024/25 Recharging Mechanisms and Section 20 audit actions to assess if they have been implemented to improve the process for the recovery of expenditure (materials, labour, service charges, overheads, etc) due from housing tenants and Leaseholders.

Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	1	4	-	5
Priority 2	-	1	2	3
Priority 3	1	1	0	2
Total	2	6	2	10

Interim Assessment.

We have prepared this interim report at the request of Audit, Compliance and Governance Committee to provide an update of the progress of the agreed actions from our 2024/25 Recharging Mechanisms and S20 Advisory, completed in September 2025.

Our findings have been summarised below; we have found two actions have been completed, six are in progress and two have not yet started.

Part 1 – Recharging process - Key Findings Update.

Monitoring processes are not in place – Not yet started. The Head of Housing Services confirmed (December 2025) monitoring reports have been written but these cannot be run until the process is live in February 2026.
Expenditure incurred is not reconciled – Not yet started. The Head of Housing Services confirmed (December 2025) the Income Team Leader and Finance Administrator are due to test reports identifying rechargeable repairs during January 2026. And that the system will go live in February 2026.

Lack of Governance and Documentation – In progress. A Recharge Policy was approved by Cabinet on 16 December 2025. Recent meeting minutes support the recharge process has been partly mapped. However, further work is required to strengthen and define roles and responsibilities for internal processes.

QL – Recharges Data is not reliable – In progress. The Head of Housing Services advised that once CBC have gone live with the Recharge Policy all rechargeable repairs will be logged in QL. However, currently it is unclear if QL is working correctly, therefore, further work is required to ensure all rechargeable repairs are recorded in QL, the system is working correctly, and it contains accurate and trustworthy data.

Repair Operatives PDAs permissions unclear – In progress. October 2025 meeting minutes support the Application Business Analyst was investigating these permissions.

Schedule of Rates are not up to date - Action complete. The Recharge Policy confirms the Council uses the National Schedule of Rates (version 8). October 2025 meeting minutes support QL has been updated with these rates.

Part 2 – Section 20 - Key Findings Update.

Training for administering the Section 20 Notice Process is lacking – In progress. Several positive steps have been taken which should improve understanding and adherence to statutory requirements greatly, particularly the appointment of an Operations Manager within the Technical & Investment team. However, no mandatory training programme has been implemented, as per the agreed action, with reliance largely placed on the individual to consult the new guides. It also remains important to clearly define how officers' understanding of, and adherence to procedures and processes will be assessed and monitored, ensuring alignment with statutory and internal requirements.

	Non-compliance with the Section 20 Notice Process – In progress. Additional steps have been incorporated into the process to strengthen controls surrounding the issuance of S20 notices and the process overall. This includes the implementation of a new S20 proforma designed to ensure that the process is consistently reviewed, documented, and authorised at each stage. We have not seen evidence to support that the S20 proforma is in use. Additionally, a S20 and contracts for major works database is being created which once operational will be of great value in tracking S20 notices. **Document Storage is poor** – In progress. We understand that preliminary meetings have been held with a view to exploring how the QL Housing Management System's S20 module could be utilised to automate the document saving process in a standardised format. A follow-up meeting is planned for the new year.
	'Additional Works' wording on Section 20 Notices is insufficient – Complete. A new S20 Proforma has been introduced to strengthen process controls, supported by scheduled meetings to review required works and assess contingencies. The Head of Housing Services advised where further clarification is needed, meetings will be arranged with the Technical Investment team. And that, discussions with the new Operations Manager have focused on improving the flow of S20 information and ensuring that the scope of works and contingency requirements are clearly defined at the outset of the process.

Conclusion
All actions from our 2024/25 report had a target implementation date of 31 December 2025. Two actions are complete and we have agreed extending the implementation date to 31 March 2026 for the outstanding eight actions.