

Cheltenham Borough Council

Internal Audit Annual Opinion Report 2025/26

Internal Audit Annual Opinion – 2025/26: ‘At a Glance’

Annual Opinion



We are pleased to offer Cheltenham Borough Council a **Reasonable Assurance** for 2025/26
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

	Audits undertaken for Accounts Payable, Disaster Recovery, CFEU and Bank Reconciliations resulted in Substantial Assurance. This signifies that internal controls are operating effectively and being consistently applied in these areas.
	Significant risks were identified in respect of the review of Recharging Mechanisms and Section 20 Progress is being made on the implementation of the agreed actions, which Internal Audit are monitoring.
	18 reviews were included as part of the 2025/26 Internal Audit Plan. Includes assurance, advisory and follow up reviews, and specific audit support. 1 reviews is at draft report stage
	Internal Audit staff supporting the Council. Auditors continue to support the Council, by attending meetings, supporting projects and when necessary, conducting specific tasks for the Council.
	Agreed Actions Two agreed actions reported in 2024/25 remain open. Of the 14 actions agreed in 2025/26, 7 have been actioned

Assurance Opinions	2024/25	2025/26
Substantial	5	5
Reasonable	2	1
Limited	2	0
No	0	0
Support to the Council	5	3
Grant Certification	0	0
Advisory	3	5
Follow-Up	1	4
Agreed Actions	2023/24	2025/26
Priority 1	4	5
Priority 2	20	5
Priority 3	2	4
Total	26	14



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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.



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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.

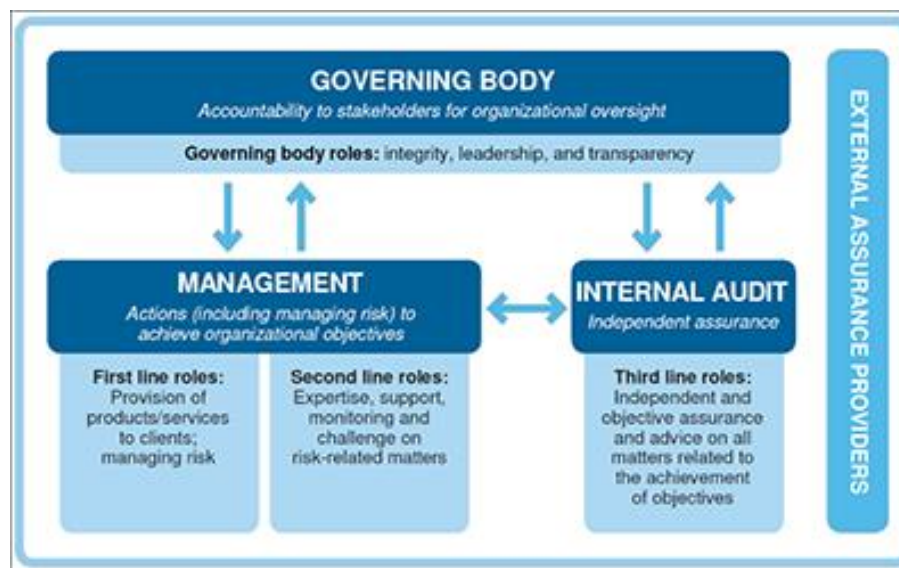


Background

The Internal Audit service for Cheltenham Borough Council is provided by SWAP Internal Audit Services. The team's work for 2025/26 was completed to comply with the Global Internal Audit Standards and all other guidance recognised by the UK public Sector's Relevant Internal Audit Standards Setters. 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 organisation's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2025/26 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 2025/26

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 2025/26 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 (2025 – 2028):

- Securing our Future
- Quality homes, safe and strong communities
- Reducing carbon, achieving council net zero, creating biodiversity
- Reducing inequalities, supporting better outcomes
- Taking care of your money

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 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*
- *All Staff Briefings*

Summary of Audit Work 2025/26

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:

Recharging Mechanisms and Section 20

- Monitoring Processes were not implemented
- Expenditure not reconciled
- Lack of Governance Documentation
- Unreliable Recharge Data
- Training for administering for Section 20 Notices was lacking
- Non-Compliance with Section 20 Process

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. There are currently two historic (2024/25) outstanding agreed action which have passed their implementation dates.

All audits, and progress against agreed actions, have been reported throughout 2025/26 to the Audit, Compliance and Governance Committee.

Summary of Audit Work 2025/26

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.

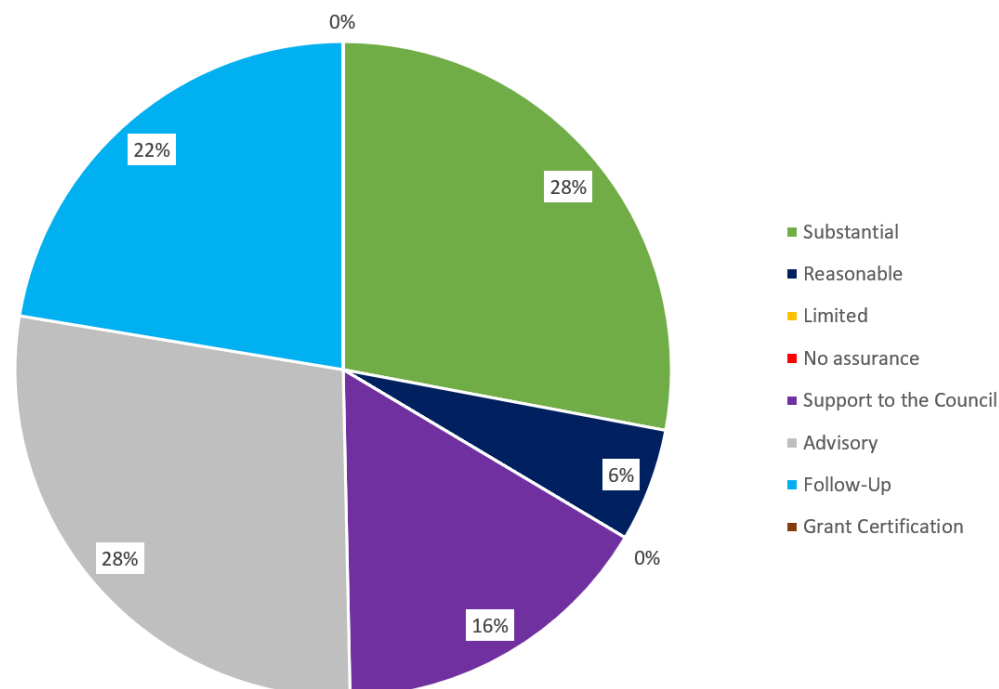


Summary of Audit Opinion

The following two charts summarise the audit opinions and audit work, and involvement, during 2025/26.

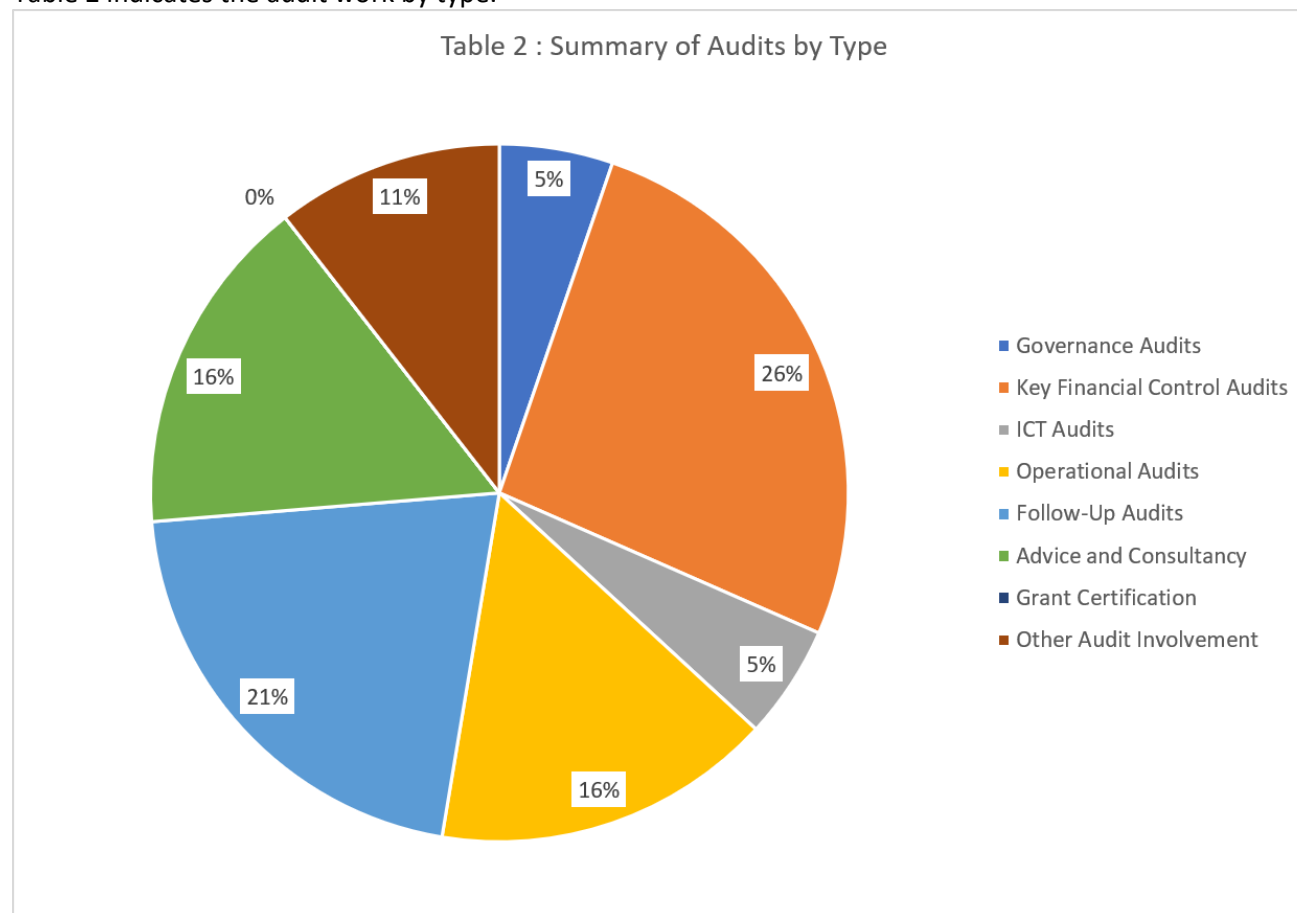
Table 1 indicates the spread of assurance opinions across our work during the past year.

Table 1 : Summary of Audit Opinions



Summary of Audit Work 2025/26

Table 2 indicates the audit work by type.



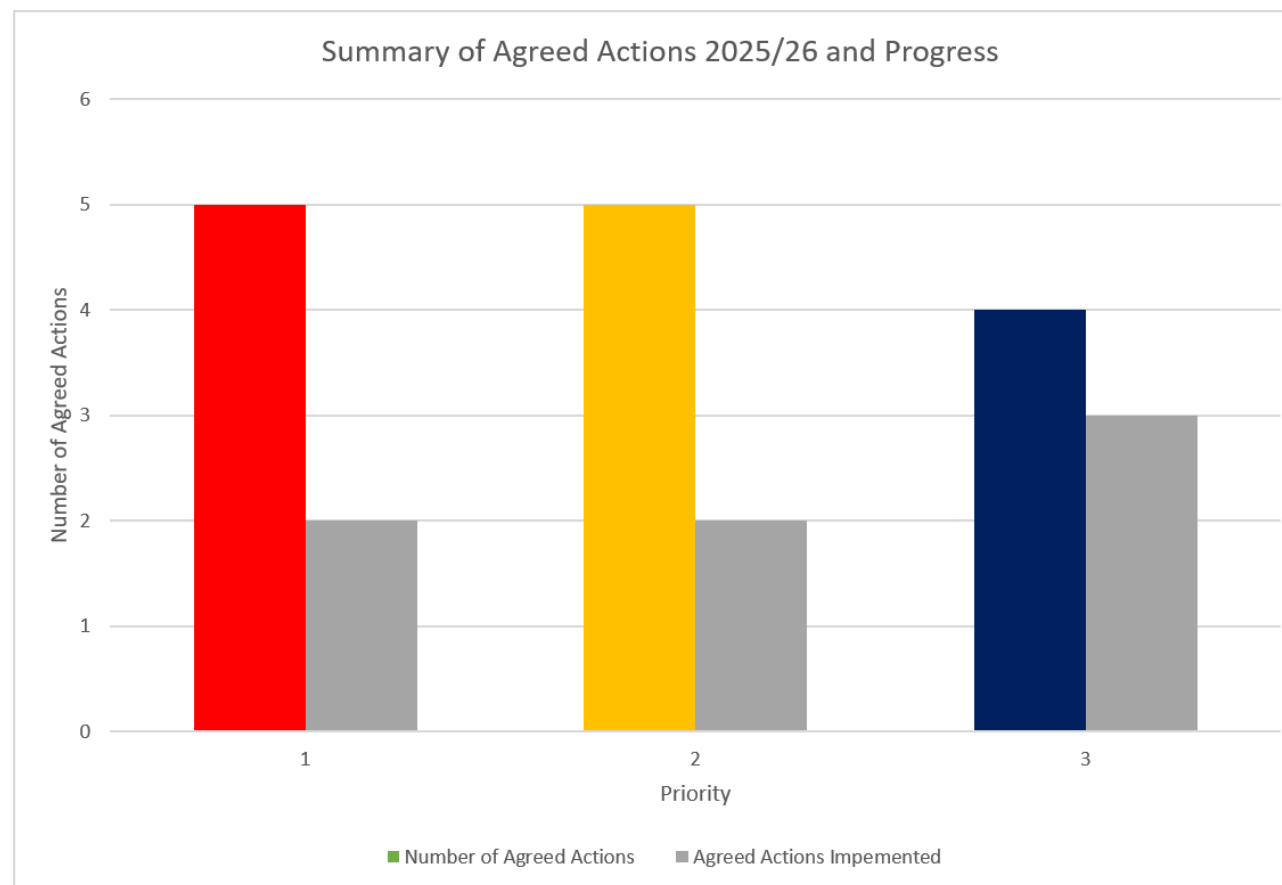
Summary of Audit Work 2025/26

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



Plan Performance 2025/26

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.

Plan Performance 2025/26

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

In 2025/26 SWAP work was completed to comply with the the Global Internal Audit Standards plus the UK Public Sector Application Note and the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government. The Internal Audit service for Cheltenham Borough Council is provided by SWAP Internal Audit Services.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was assessed in January 2025 and confirmed that we are in conformance to PSIAS. Members of the Committee have been provided with the full EQA report.

Standard 8.3 of the Global Internal Audit Standards requires Heads of Internal Audit to develop, implement and maintain a Quality Assurance and Improvement Programme (QA&IP) that covers all aspects of the internal audit function. The programme must include both internal and external assessments (Standards 8.4 and 12.1 respectively). This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have produced our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.



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Summary of Internal Audit Work 2025/26

Audit Type	Audit Area	Status	Opinion	No of Actions
2025/26 Finalised and Completed Reviews				
Operational	Counter Fraud and Enforcement Unit	Final Report	Low Substantial	1
Key Financial Control	Payroll – Publica Controls	Final Report	Mid Substantial	0
Key Financial Control	Payroll – Council Controls	Final Report	Low Reasonable	2
Follow-Up	Grant Income	Final Report	N/A	0
Governance	Data Maturity	Final Advisory Report	N/A	0
ICT	Disaster Recovery – Revenues and Benefits	Final Report	Low Substantial	0
Follow-Up	Voids Review	Interim Report	N/A	0
Operational	Recharging Mechanisms (Housing Services)	Final Advisory Report	N/A	10
Follow-Up	Recharging Mechanisms – Interim Report	Interim Report	N/A	0
Key Financial Control	Bank Reconciliations	Final Report	Mid Substantial	1
Operational	Income Streams – Licensing	Final Advisory Report	N/A	0
Key Financial Control	Accounts Payable – Qtly Review – 2025/26	Final Report	High Substantial	0

Summary of Internal Audit Work 2025/26

Audit Type	Audit Area	Status	Opinion	No of Actions
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

Audit Type	Audit Area	Status	Comment
Draft Reports			
Key Financial Control	Revenues and Benefits – Council Tax and NNDR		
Ongoing Audit Support / Other Involvement			
Advisory	Procurement and Commissioning Group		Support complete for 2025/26, will continue into 2026/27
Advisory	Corporate Governance Group		Support complete for 2025/26, will continue into 2026/27
Support	Elections		Support complete for 2025/26, will continue into 2026/27



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