

**Cheltenham Borough Council**  
**Audit Committee – 19<sup>th</sup> September 2012**  
**Internal Audit Monitoring Report**

<b>Accountable member</b>	<b>Cabinet member corporate services</b>
<b>Accountable officer</b>	<b>Head of Audit Cotswolds – Robert Milford</b>
<b>Ward(s) affected</b>	<b>All</b>
<b>Key Decision</b>	<b>No</b>
<b>Executive summary</b>	<p>The council must ensure that it has sound systems of internal control that facilitate the effective management of all the council's functions. The work delivered by AuditCotswolds, the council's internal audit service, is one of the control assurance sources available to the Audit Committee, the Senior Leadership Team and supports the work of the external auditor.</p> <p>The Annual Internal Audit Opinion presented to Audit Committee provides an overall assurance opinion at the end of the financial year. This Internal Audit Monitoring Report however is designed to give the Audit Committee the opportunity to comment on the work completed by the partnership and provide 'through the year' comment and assurances on the control environment.</p>
<b>Recommendations</b>	<b>The Audit Committee considers the report and makes comment on its content as necessary</b>

<b>Financial implications</b>	<p><i>There are no direct financial implications arising from this report.</i></p> <p><b>Contact officer: Mark Sheldon, Chief Finance Officer</b>  <b>mark.sheldon@cheltenham.gov.uk,</b>  <b>01242 264123</b></p>
<b>Legal implications</b>	<p><i>None specific arising from the report recommendation.</i></p> <p><b>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</b></p>

<b>HR implications (including learning and organisational development)</b>	<p><i>No direct HR implications arising from this report.</i></p> <p><b>Contact officer: Julie McCarthy, HR Operations Manager</b></p> <p><b>julie.mccarthy@cheltenham.gov.uk,</b></p> <p><b>01242 26 4355</b></p>
<b>Key risks</b>	<p>That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.</p>
<b>Corporate and community plan Implications</b>	<p><i>“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”</i> (Chartered Institute of Internal Auditing UK &amp; Ireland).</p> <p>Therefore the internal audit activity impacts on corporate and community plans.</p>
<b>Environmental and climate change implications</b>	<p>One of the specialist skills now provided by the service is that of environmental auditing. This would therefore aid the Council in its environmental and climate change objectives.</p>

## 1. Background

- 1.1 The Annual Audit Plan was aligned with the corporate and service risks facing the Council as identified in consultation with the Senior Leadership Team and supported by such systems as the risk registers. At the time of preparing the 2011/12 plan, the Councils Corporate Strategy 2010-2015 was being reviewed and, as internal audit is there to help the organisation to achieve objectives, part of the plan has been aligned to elements of this strategy. However, to inform the audit plan we have also reviewed other key documents, such as the recently prepared Medium Term Financial Strategy, change programme agendas and updates to the business plan, many of which contain risk assessments.
- 1.2 There is also a requirement to support the work of the External Auditor (KPMG). This is in the form of financial audits governed by the Joint Working Agreement, and the governance audits to support such activities as Use of Resources.
- 1.3 The audit plan also considered risks that may evolve during the year. The consultation process has sought to identify these areas considering where internal audit could support and add value to the risk control process. This report identifies work we have completed in relation to the planned audit work.

## 2. Reasons for recommendations

- 2.1 The environment in which Cheltenham BC and other Local Authorities now operates has presented significant drivers for change. The continual effort to meet the organisational objectives within a constrained budget has resulted in core systems coming under review for change e.g. the GO Programme impacting on core financial systems, Shared Services impacting on core governance arrangements, etc.
- 2.2 Therefore Internal Audit needs to be responding to the changing environment and the areas where the organisation now requires assurances. This prompts the requirement to move to a more flexible and risk based plan.
- 2.3 It should also be recognised that the service is now a partnership so coordinating resources across multiple organisations is critical to the success of the partnership.
- 2.4 This report highlights the work completed by internal audit and provides comment on the assurances provided by this work.

## 3. Internal Audit Output

- 3.1 The internal audit service commenced quarter 1 with reduced resources due to a gradual recruitment process to reduce the impact on management providing training. The service has successfully recruited two new staff, one assistant auditor and one internal auditor. There remains a vacancy for an internal auditor. However there is still the expectancy to complete the audit plan 2012/13 as planned.
- 3.2 Internal Audit has concluded the following audits:

Audit	Report status	Assurance
Annual Governance Statement Review	Final	N/A

Leisure @	Draft	
Risk Management (consultancy)	Complete	N/A
Performance Management	WIP	
Single Post Service Vulnerabilities & Workforce Capacity Management	WIP	
Implementation of new legislation e.g. Localism Act, etc	WIP	
GO ICT Host (Centre of Excellence)	Deferred until Quarter 4	

3.3 Further detail specific to each audit finalised is shown in **Appendix 1**.

3.4 AuditCotswolds has also undertaken the following:

- Audit support for the GO-Programme (see 3.5)
- Audit provision for GO Shared Service (see 3.5)
- Audit support for the Local Authority Company project (see 3.6)
- Audit provision for Ubico Ltd (see 3.6)
- Cheltenham Borough Homes – client (audit days delivered)
- Audit support for the Commissioning Programme
- Audit Support for the other key Change Programmes

3.5 GO Programme – Audit support at programme board level, independent assessment of gateway reviews and results, advice on the implementation projects including coordinating implementation audit support at Forest of Dean, monitoring of risk assessments and highlight reports, etc. The programme board ceased in May 2012 and the shared service governance was introduced. Audit has representation on the Client Officer Group. Extensive liaison has also been undertaken with Forest of Dean Internal Audit to ensure the GOSS plan is delivered with minimal duplication and appropriate reliance placed on each audit service.

- 3.6 Local Authority Company – Audit support at Project Board level, advice on project governance, risk management and gateway review systems, advice at implementation level projects, etc. This has continued through to the provision of the internal audit service for Ubico Ltd.
- 3.7 Both GOSS and Ubico Ltd are uncharted organisations and therefore the demand on Internal Audit services is based on historic knowledge, research and risk assessment. The actual demand could vary and as such the service includes formal SLAs to hold resource levels. An audit plan for year one is now in place for both GOSS (300 operational audit days) and Ubico Ltd (40 operational days). Operational days are also within the CBC plan for both areas to ensure governance arrangements operate effectively and that residual services (services not transferring to GOSS or Ubico but formerly managed by the service heads) remain well controlled.
- 3.8 The level of involvement the internal audit service has within the Cheltenham Borough Council change programmes is substantial but it is considered necessary when there is such a high level of risk with such significant changes being introduced. This is in line with the audit plan for 2012/13.
- 3.9 Further consultancy work was undertaken in May in relation to the Risk Management system. This has taken some operational days from the planned assurance work on Risk Management. The remaining assurance work will be conducted later in the year.

<b>Report author</b>	<b>Robert Milford, Head of Audit Cotswolds, 01242 775174, Robert.milford@cheltenham.gov.uk</b>
<b>Appendices</b>	<b>1. Internal Audit Monitoring Report</b>
<b>Background information</b>	

