

Cheltenham Borough Council
Audit Committee – 9 January 2013
Internal Audit Monitoring Report

Accountable member	Cabinet member corporate services
Accountable officer	Head of Audit Cotswolds – Robert Milford
Accountable scrutiny committee	Economy and business improvement
Ward(s) affected	All
Key Decision	No
Executive summary	<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>
Recommendations	The Audit Committee considers the report and makes comment on its content as necessary

Financial implications	<p><i>There are no direct financial implications arising from this report.</i></p> <p>Contact officer: Mark Sheldon, Chief Finance Officer mark.sheldon@cheltenham.gov.uk, 01242 264123</p>
Legal implications	<p><i>None specific arising from the report recommendation.</i></p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p><i>No additional HR implications arising from this report.</i></p> <p>Contact officer: Julie McCarthy, HR Operations Manager julie.mccarthy@cheltenham.gov.uk, 01242 26 4355</p>

Key risks	That weaknesses in the control framework, identified by the audit activity, continue to threaten organisational objectives, if recommendations are not implemented.
Corporate and community plan Implications	<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 & Ireland).</p> <p>Therefore the internal audit activity impacts on corporate and community plans.</p>
Environmental and climate change implications	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.

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 (formerly KPMG, now Grant Thornton). This is in the form of financial audits usually governed by the Joint Working Agreement, and the governance audits to support such activities as value for money.
- 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 which will be filled from January 2013. However there is still the expectancy to complete the audit plan 2012/13 as planned and a contracted auditor has been used.
- 3.2 Internal Audit has concluded the following audits:

Audit	Report status	Assurance
Leisure @	Final	Satisfactory

Performance Management & Strategic Commissioning	Draft	
Single Post Service Vulnerabilities & Workforce Capacity Management	Draft	
Implementation of new legislation e.g. Localism Act, etc	Final	Satisfactory (no report)
Grosvenor Terrace Refurbishment Project	Consultancy	
Commissioning - General	Consultancy	
Commissioning - Leisure & Culture	Consultancy	
Commissioning - ICT Project	Consultancy	
Commissioning - ICT Project (due diligence)	Final (Phase 1)	Feasibility review
GO ICT Host CofE Security & Systems Admin	Interim (draft)	
Investigation - ICT virus	Draft	
Council Tax	WIP	
Service Governance - GO & Ubico	WIP	
Housing & Council Tax Benefit	WIP	
Art Gallery & Museum Project	Consultancy	

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

3.4 AuditCotswolds has also undertaken the following:

- Audit provision for GO Shared Service
- Audit provision for Ubico Ltd
- Audit Provision for Cheltenham Borough Homes

3.6 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 relation to Counter Fraud. Internal Audit has a significant role in counter fraud work and as such the Head of Audit Cotswolds has been working with the Benefit Fraud Team at Cheltenham BC and other partner Councils to develop a more coordinated and proactive approach to counter fraud. In the March Audit Committee meeting there will be a Counter Fraud plan presented that outlines the 2013-14 approach to Counter Fraud work on a risk basis.

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Appendices	1. Internal Audit Monitoring Report
Background information	None