



Cotswold District Council

Report of Internal Audit Activity

Plan Progress 2019/2020

January 2020

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Internal Audit Plan Progress 2018/2019

Our audit activity is split between:

- **Governance Audit**
- **Operational Audit**
- **Key Control Audit**
- **IT Audit**
- **Other Reviews**

● Role of Internal Audit

The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Governance Audits
- Operational Audits
- Key Financial System Controls
- IT Audits
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is recommended to the Audit Committee by the Chief Finance Officer, following consultation with the Council's Management Team. The 2019/20 Audit Plan was reported to, and approved by, Audit Committee at its meeting in April 2019.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

Internal Audit Plan Progress 2019/2020

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a major area of concern requiring immediate corrective action and 3 being a minor or administrative concern

- Internal Audit Work

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix A** of this document.

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Internal Audit Annual Plan 2019/20. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

As agreed with this Committee where a review has a status of ‘Final’ we will provide a summary of the work and further details to inform Members of any key issues, if any, identified.

Further information on all the finalised reviews can be found within **Appendix C**.

At **Appendix D** we have included a schedule of the high priority recommendations (priority 1s and 2s) that have been identified during our audit reviews. These will be updated when the follow-up audit has been completed.

Appendix E summarises all recommendations made and the progress that has been made against these.

Internal Audit Plan Progress 2019/2020

We keep our audit plans under regular review to ensure that we audit the right things at the right time.

- Approved Changes to the Audit Plan

The audit plan for 2019/20 is detailed in **Appendix B**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Cotswold District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer (Chief Finance Officer).

The following changes have been made to the plan:

The audit on Cash Handling has now been deferred to 2020/21 due to other, more significant, audit work being requested

The review of Internal Enforcement Agency has been deferred due to the potential change in service provision

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

- **No Assurance**
- **Partial**
- **Reasonable**
- **Substantial**

● Audit Framework Definitions

Control Assurance Definitions

No Assurance	The areas reviewed were found to be inadequately controlled. Risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed, and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed, but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

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.

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.

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.

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.

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 Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						2018/19 Audits in Draft / In Progress at Annual Opinion			
ICT	Data Protection Act (GDPR)		Final Report	Substantial	1			1	Reported at October Meeting
Operational	Procurement & Contact Management		Final Report	Partial	2		1	1	Reported at October Meeting
Key Financial Control	Systems Admin		Final Report	Reasonable	7		2	5	Reported at October Meeting
Key Financial Control	Human Resources		Final Report	Reasonable	2		1	1	Reported at October Meeting
Key Financial Control	Procurement		Final Report	Partial	10		7	3	See Appendices C & E
Governance	Risk Management		Final Report	Substantial	-				Reported at October Meeting
ICT	Cybersecurity		Draft Report						
Advice and Consultancy	Benefits Realisation		Position Statement						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						2019/20 Audit Plan			
Governance	Annual Governance Statement	1	Final Report	Substantial	3			3	See Appendices C & E
Operational	Asset Management	1	Draft Report						
Operational	Commercial Property / Investment Property	1	Draft Report						
Operational	Management and Monitoring of Contracts	1	Removed						
Operational	Use of Volunteers	1	In Progress						
Advice and Consultancy	Cemetery Services Fees Process	1	Complete						
ICT	Software as a Service – Cloud Provision	1	ToE Issued						
ICT	Software as a Service – Dataset Management	1	ToE Issued						
Advice and Consultancy	Ubico – Waste and Recycling Collection Contract	1	Position Statement	Non-Opinion	0				See Appendix C
Operational	Affordable Housing	2	Final Report	Substantial	1			1	See Appendices C & E
Operational	Business Rates Reset	2	Deferred						
Operational	Internal Enforcement Agency	2	Deferred						See note on Page 3

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						Operational	Civil Contingencies	2	
Operational	Grants	2	In Progress						
Operational	Waste and Recycling Assets	2							
Operational	Cash Handling	2	Deferred					See Note on Page 3	
Grant Certification	Disabled Facilities Grants	2	Complete						
ICT	Cyber Security – Incident Management	2	ToE Issued						
ICT	Cyber Security – High Risk Area (defined from 2018/19 audit)	2							
Key Financial Control	Revenues and Benefits	3							
	<ul style="list-style-type: none"> National Non-Domestic Rates 		Draft Report						
	<ul style="list-style-type: none"> Council Tax 								
	<ul style="list-style-type: none"> Council Tax Benefit 		Draft Report						
Key Financial Control	Core Financials	3							
	<ul style="list-style-type: none"> Accounts Payable 		Final Report	Substantial	0			See Appendix C	
	<ul style="list-style-type: none"> Accounts Receivable 		In Progress						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
							<ul style="list-style-type: none"> • Main Accounting 		
	<ul style="list-style-type: none"> • Payroll 		In Progress						
	<ul style="list-style-type: none"> • Treasury Management and Bank Reconciliation 								
Key Financial Control	Systems Administration	3	In Progress						
Key Financial Control	Human Resources	3	In Progress						
Key Financial Control	Other Support Service provided by Publica <ul style="list-style-type: none"> • Health and Safety 	3	In Progress						
ICT	Management of Service Provision	3							
ICT	ICT Business Continuity	3	In Progress						
Grant Certification	Disabled Facilities Grant Certification – Additional Grant	3	Complete						
Advice and Consultancy	(NEW) Corinium Museum – Project Management Arrangements	3	In Progress						
Governance	Risk Management	4							
Governance	Performance Management	4							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						Operational	Publica Transformation Benefits Realisation	4	
Operational	Corporate Culture	4							
Follow-Up	Follow-Ups of Recommendations made in Substantial and Reasonable Audits	1 – 4	On Going						
Follow-Up	Follow-Up of Control Weaknesses identified by the Counter Fraud Unit	3 – 4	On Going						
Advice and Consultancy	Workforce Strategy	1 – 4							
Advice and Consultancy	Support to the Publica Transformation Programme	1 – 4	On Going						
Advice and Consultancy	Assurance to the Partner Councils in respect of the Publica Transformation Programme	1 – 4							
Other Audit Involvement	Working with the Counter Fraud Unit	1 – 4	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	1 – 4	On Going						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						Other Audit Involvement	Contingency – Provision for New Work based on emerging risks		

Audit Assignments finalised since the last Audit Committee:

- **Summary of Audit Findings and High Priority Recommendations**

The following information provides a brief summary of each audit review finalised since the last Committee update.

2019/20 – Annual Governance Statement – Substantial Assurance

Background

Local authorities are required by the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 to prepare an Annual Governance Statement (AGS) by 31 May each year to report publicly on the extent to which they comply with their own governance and internal controls. The statement should comply with best practice and written in accordance with the CIPFA Delivering Good Governance Framework (2016).

Managers provide their assurance via an annual Manager's Assurance Statement (MAS) which is reflected in the Annual Governance Statement. Internal Audit also provide an Annual opinion in the review of effectiveness based on the audit assurances issued across the authority during the year. The draft AGS is then considered by Audit Committee in advance of the required deadline and a final version is published within the Authority's annual statement of accounts.

The purpose of the audit is to review the procedure for producing the AGS and determine whether the completion of the AGS was based on well-founded control results and information and to ensure the statement was produced in compliance with the correct governance framework and principles and good practice guidelines.

Audit Conclusion / Findings

Directors and Heads of Service are required to complete and return a Managers Assurance Statement (MAS) each year. The MAS is a declaration that governance measures are in place and should highlight any significant areas of concern to be included in the Annual Governance Statement.

A proportion of the Managers Assurance Statements were examined and were confirmed to be fully completed. However, it is noted that aspects of the templates used could be improved to provide Directors and Heads of Service more scope to provide additional detail on any significant issues they feel should be considered for inclusion in the Annual Governance Statement (AGS).

The AGS was assessed against the CIPFA Governance Framework (2016) and was completed in line with the framework's requirements. The statement was drafted and then considered at the Cotswold District Council (CDC) Audit Committee meeting before the deadline of the 31st May to be included within the council's draft and unaudited Annual Statement of Accounts by 31st July. Delays were encountered publishing the final audited Statement of Accounts due to external audit resource however draft statements were published by the deadline. We can confirm the final audited Statement of Accounts incorporating the AGS have now been published.

The framework states the AGS should include "an agreed action plan showing actions taken, or proposed, to deal with significant Governance issues". We note the action plans documented to address significant issues are limited in detail and a recommendation is made to enhance the detail to improve transparency.

The final statement is available within the Annual Statement of Accounts within the Audit Committee Meeting Packs on the CDC website however, the main CDC website still shows the draft and unaudited Statement of Accounts. CIPFA's Good Guidance does also suggest the AGS is made available with but separately from the Annual Statement of Accounts. CDC should consider making a separate copy of the AGS for download on their main website.

2019/20 – Affordable Housing – Substantial Assurance

Background

In accordance with Cotswold District Council's Local Plan (Policy H2), where a housing development planning application is over a certain size the Strategic Housing Manager will seek a contribution of affordable housing as part of the development. The amount, mix and size of affordable housing is governed by affordable housing policies in the Local Plan and through local housing needs assessments.

Policy H2 of the Local Plan (2011 - 2031) states:

1. On site affordable housing will be sought from all housing developments that provides 11 or more additional dwellings or have a combined gross (internal) floorspace of over 1000 sqm.
2. In rural areas [AONB] all housing developments that provide between 6 and 10 additional dwellings will make a financial contribution by way of a commuted sum.
3. The affordable housing requirement on all sites (subject to viability) is:
 - Up to 30% of additional dwellings on brownfield sites
 - Up to 40% of additional dwellings on all other sites
4. In exceptional circumstances, where the provision of affordable housing is not appropriate, the Council will consider

financial contributions (commuted sums) at an equivalent value of the on-site provision.

5. The type, size and mix, including the tenure split, of affordable housing will be expected to address the identified and prioritised housing needs of the District and designed to be tenure blind and distributed in clusters across the development to be agreed with the Council.

6. Where viability is questioned or a commuted sum is considered, an ‘open book’ assessment will be required by an independent valuer and charged back to the developer.

Where affordable housing or commuted sums are required as part of a development a Section 106 Agreement will be used to ensure transfer to a Registered Provider and that the affordable housing remains available in perpetuity, or commuted sums are paid as and when required.

Rural Exception Sites are sites outside of, but adjoining, settlements where there is a clearly defined need for affordable housing within a Parish.

The Council’s key performance for affordable homes delivered per annum is 150. The Council has exceeded this target in recent years, as can be seen below:



This was possible as, in the past three years, Cotswold District has delivered 224% of its residual housing requirement (3-year residual target 1,104 / completed dwellings 2,472). According to the Council's Housing Land Supply report (2019), 125% of the Council's housing requirement is estimated to be delivered over the period of the Local Plan (2011 - 2031). This would demonstrate a significant slowing down of houses to be delivered for the remainder of the plan.

Audit Conclusion / Findings

The Council has surpassed its annual affordable housing delivery of 150 houses for the previous three years. It is unlikely that the number of affordable houses delivered will continue at the current rate due to a lack of available land that would be acceptable for housing developments (in accordance with the Local Plan and five-year housing land supply report). In future years there will be an increased reliance on exception sites for a continued supply of affordable housing. At the time of our review there were three exception sites being built but no Community-led Affordable Housing schemes registered with the Council; although officers were actively engaging with the community to encourage participation.

The Council's Local Plan was adopted in August 2018. Our testing of applications approved since this date found that, in all cases, the policies relating to affordable housing were complied with. The Council's supplementary planning document, which provides guidance procedures and practical advice to those involved in the provision of affordable housing, was adopted in 2007 and relates to the previous Local Plan (2001 - 2011) and 2005 Local Housing Needs Assessment. A recommendation has been made to review and update the supplementary planning document.

2019/20 – Accounts Payable – Substantial Assurance

Background

As part of the 2019/20 Internal Audit plan, a review was carried out to provide our partners and clients assurance over the adequacy of procedures and controls in place within the Accounts Payable department.

Accounts Payable (based at Forest of Dean District Council) is a centralised function that processes invoices, payment requests and feeder payments, such as Accounts Receivable refunds and benefit payments, on behalf of the following clients:

- G1- Cheltenham Borough Council (CBC)
- G2- Forest of Dean District Council (FoDDC)
- G3- West Oxfordshire District Council (WODC)

- G4- Cotswold District Council (CDC)
- G5- Cheltenham Borough Homes (CBH)
- G6- Ubico
- G7- The Cheltenham Trust
- P8- Publica

All payments are processed using the financial management system: Business World. All invoices for goods and services go to FoDDC, either directly from the supplier or forwarded by service areas. Invoices are scanned and saved within the Business World transaction file. Where purchase orders have been raised by the service area, invoices can be matched to these, and assuming the goods have been receipted, payment can be made immediately. Where no purchase order has been raised the details from the invoice are entered manually into Business World. Officers within the service area that received the goods/services with appropriate approval rights are required to review the payment details and approve the payment or reject it if they require any of the payment details changing (i.e. the payment cost centre or account). Payment runs are created weekly, which are sense checked by the AP Team Leader and authorised by the Business Partner Accountant (this process was reviewed as part of last year’s audit).

Our review used payments processed between September 2018 and September 2019 on behalf of our clients only. The number and value of these payments, have been compared to the same period in the previous year and shown below:

		2018/19		2019/20	
		Number	Value	Number	Value
G4	CDC	4724	£37,839,155	5072	£42,366,645

Audit Conclusion / Findings

We are pleased to offer Substantial Assurance over the following procedures within Accounts Payable:

- Processing invoices to ensure debts are paid by the appropriate client
- Duplicate payments are identified and recovered timely
- Limiting the use of Sundry Supplier payments
- Preventing fraudulent payments

Testing was carried out to identify outstanding duplicate payments. In all cases where duplicate payments were still outstanding the Accounts Payable Team Leader provided evidence that these payments were in the process of being recovered. We also carried out testing to ensure the service's processes around limiting the use of Sundry Supplier payments were being followed. We did not find any instances that the process described within the report was not being followed. Finally, we tested all payments made within our test period to the bank details of employees of the Councils, Publica and CBH. No fraudulent payments were identified as part of this testing.

2018/19 – Procurement – Partial Assurance

Note

Audit fieldwork for this review was carried out between March and May 2019. All findings within this report reflect the position of the Procurement Service at that time. Early draft versions of this report were issued to the service area in June 2019 and work commenced to address some of the recommendations made. **A follow-up review of this audit is planned to be carried out in January and February 2020**, the report of which will reflect the progress made by the Procurement Service to implement agreed actions, based on evidenced information.

Background

This audit review focuses on the procurement processes undertaken on behalf of West Oxfordshire District Council (WODC), Cotswold District Council (CDC), Cheltenham Borough Council (CBC) and Forest of Dean District Council (FODDC). Procurement Officers support Officers located across all client sites.

Procurement activity must be undertaken in accordance with Contract Rules, and;

- Procurement and contract management strategy (2015)
- National Procurement Strategy (2018)
- The Public Contracts Regulations (2015)
- Local Government Transparency Code (2015)

Testing was undertaken using the overarching Contract Register (February 2019) and we were provided with requisitioning and approving data from the financial management system (March 2019). Due to the format in which contract values have been recorded on the Contract Register, we have been unable to calculate the total value of all contracts across each organisation. A total of 153 contracts were included on the register and of these, 67 had a recorded end date which had passed at the time of audit work (March 2019) and 4 had no end date recorded.

Audit Conclusion / Findings

The financial management system (ABW) and Procurement portal (In-Tend) are not linked, so a full audit trail of procurement activity is not recorded within one central system. When Procurement Business Partners are requested to enter approved contracts onto In-Tend a record is created, all relevant documentation for approved contracts is recorded within the portal. All approved financial transactions are recorded within ABW.

Service areas are responsible for reviewing their financial management system authorisation limits, and we were advised all changes to permissions are logged through the helpdesk and must be authorised by the appropriate line manager or a finance officer. User ID's and authorisation limits were examined for a sample of Officers to assess whether approval limits are as expected for their job role and organisation. At the time of testing, a significant restructuring of Publica was underway; we would therefore suggest requisitioning and authorisation permissions are reviewed in line with the new Publica organisational structure.

At the time of audit work, Procurement were not informed of all approved contracts with a value of £5,000 and over as per process, so there was a risk the Contract Register was not a complete record. Since testing, we have been advised contract reports are now generated from the procurement portal and financial management system to provide contract data which is amalgamated into an overarching Contract Register. Testing was undertaken to assess if the details recorded on the register are complete and accurate; none of the contracts in our sample had a copy of the approved contract saved on the procurement portal as per process, so we were unable to assess if the Contract Register was an accurate record. Going forward, once approved, a copy of the contract must be saved against the contract entry on the portal; keeping this record will also help to support that separation of duties has been maintained.

At the time of audit work, a link to the procurement portal was not available on the Cotswold District Council website; this has since been rectified.

At the time of audit work, different versions of the Contract Register were published on the Council websites; to ensure transparency and information is current and accurate, the same version of the Contract Register must be published on all Council websites quarterly.

At the time of audit work, the Contract Register had not been reviewed on a quarterly basis as per process due to limited resource. We were advised a piece of work to update the Contract Register for all clients was being actioned by Procurement, and a Purchase Order for development with Contract Wizards setups and training had been actioned to mitigate against this; we agree this will be beneficial to all clients.

The Contract Register is not reported to Senior Management; the register should be added to the Publica Joint Management Team agenda quarterly to allow Senior Management to formally challenge contract management and spend, to ensure accountability and value for money. Sample testing undertaken supports monitoring of expected contract spend to actual contract spend is not undertaken by all Budget Holders. To assist Budget Holders so they can efficiently monitor contract spend and there is a full audit trail within the financial management system of all contract payments, it is recommended that all organisations should consider the introduction of a “No PO, no payment” policy. This option has been considered previously by Councillors at all authorities but was not adopted at WODC, CDC and FoDDC due to concerns that it would delay payments to local suppliers. Cheltenham Borough Council did adopt the ‘No PO, no payment’ policy and have not found that it causes such delay.

Testing was undertaken to assess whether waivers are applied in accordance with Contract Rules; not all the waivers selected were completed in line with guidance, and a copy of only 1 waiver was saved against the contract entry on the procurement portal. For the waivers selected, an entry on the Contract Register could not be found for all contracts, and none of the contracts entered had a copy of the approved contract saved on the procurement portal. Procurement must be informed of all waivers so this detail can be recorded to ensure transparency. Although each Council’s solicitor must keep a copy of the agreed waiver, a record should also be maintained to support the decision for applying the waiver; we were advised Procurement will be implementing a Waiver Register later in 2019.

Our review has found procurement processes are not all undertaken in accordance with Contract Rules and policy. From our discussions and the evidence provided, controls and policy guidance are in place, but testing supports procurement activity is not always undertaken in accordance with these agreed processes. Since the time of audit work, we were advised that processes relating to the population of the Contract Register have been reviewed by the Publica Procurement Business Partner, the Procurement Portal is now accessible from all Council websites, and further work has been planned to implement a Procurement Waiver Register. We were also advised that the Contracts Module on In-Tend has a planned roll out date of July; this will help to rectify the findings above which relate to contract documentation not being recorded centrally. The Procurement and Contract Management Strategy will be reviewed with the Counter Fraud Unit in 2019, and at the time of audit work, evidence was seen to support training on

procurement process and Contract Rules was due to be delivered across all clients, and improvements were due to be made to the procurement portal. This is essential to improve Officer knowledge, embed procurement processes and controls across all clients to ensure they are followed correctly and in accordance with regulations and Council policy, and improve communication channels between all Service Areas and Procurement.

Publica Management Response to the Audit Findings

In response to the Procurement and the Procurement and Contract Management audit reports issued, we plan to carry out a fundamental review of the Procurement Service. This review will include an evaluation of how the Procurement Service will integrate or work alongside the new Commissioning and Contract Management teams introduced as part of the recent service review.

Priority	Recommendation	Management Response	Due Date
2	A copy of the approved contract must be held on In-Tend for all contracts over £5,000, as well as the quotes used during the tendering process, to demonstrate best value and ensure there is a complete central record.	Agreed, subject to a review of the contract value requirements.	31 st December 2019
2	Budget Holders should regularly undertake monitoring of expected contract spend to actual contract spend as part of contract monitoring, to ensure contracts are managed in accordance with strategy, and inform Procurement of any changes to contract values to ensure the values recorded on the Contract Register are correct.	Agreed	31 st December 2019
2	To ensure there is an audit trail to support all contract payments, the introduction of "No PO, no payment" policy should be considered to assist with the efficient monitoring of contract spend.	This will be considered	31 st December 2019
2	To ensure there is a central record, when a waiver has been applied, this must be logged on the Waiver register once it has been implemented, for transparency purposes.	Agreed	31 st December 2019
2	All Officers should be informed during Procurement Process training of the following to ensure when applicable; <ul style="list-style-type: none"> • Procurement are consulted on all contracts over £5,000 so all approved contracts are entered onto the Contract 	Agreed	31 st December 2019

	Register, and waiver details can be accurately recorded when appropriate		
2	To ensure all transactions are raised and approved appropriately and in line with the current organisational structure, all requisitioning and approval permissions should be reviewed in BWO.	Following the recent organisation changes, the approvals permissions will be reviewed to ensure they are aligned with new roles and implemented accordingly on the ABW system.	31 st December 2019
	7th Priority 2 recommendation does not relate to CDC		

2019/20 – Waste and Recycling Service Redesign – Non-Opinion

Background

In February 2018, Cotswold District Council (CDC) collaborated with Gloucestershire Joint Waste Team (GJWT) and Ubico to undertake a project to redesign, approve and implement a service delivery model for CDC’s Waste and Recycling collection service. In April 2018, Full Council approved a one off spend of £20,000 to secure specialist support for the review and modelling of waste service options. ‘Resource Futures’ were commissioned to undertake this work and model nine potential service options put forward by GJWT as well as a baseline (current service).

Resource Futures carried out their service options appraisal using a Kerbside Analysis Tool (KAT) and a range of industry-based assumptions (such as loader pick rates and vehicle maximum capacities). Use of KAT was a requirement of the Options Appraisal tender invitation, although alternatives could be proposed, subject to agreement of the GJWT. Using data obtained from managing similar options within partner councils, Ubico disagreed with the assumptions used by Resource Futures so were encouraged to produce their own options appraisal. This facilitated sensitivity testing of each option by using a range of assumptions. Resource Futures’s and Ubico’s modelled costs were presented to Members but, as Ubico’s figures were operationally deliverable, these were used for budget setting purposes.

Ubico’s options appraisal (prior to the December (2018) and February (2019) Council decisions) utilised the template used by Resource Futures. Ubico amended the vehicle and staffing costs using costs determined from their modelling tool, Webaspx. The other costs reported by Resource Futures (container costs, disposal costs/income, overheads) were unchanged.

Based on Resource Futures’s options appraisal and additional modelling work carried out by Ubico, in December 2018

Council Members approved the selection of Option 2a and a three-month cessation of the Garden Waste collection service (November – January). In February 2019, the decision to suspend Garden Waste collections between November and January was rescinded. In February 2019, the revenue cost of the recommended service was reported as £3,493,991. This was caveated with, ‘Whilst every effort has been made to model services, sensitivity test and benchmark data and assumptions, there is a significant risk that calculations may not fully reflect the operational delivery when service changes are made’.

Resource Futures’s (and therefore Ubico’s) modelled costs considered the full collection and disposal process. As disposal costs are payable by Gloucestershire County Council they were removed when reported to Members. The reported revenue cost of Option 2a was calculated as follows:

	Ubico Modelled Cost	Reported in CDC report
Vehicle costs	£1,512,224	(£1,512,224)
Operational staffing cost	£2,344,310	(£2,344,310)
Replacement containers	£77,953	(£77,953)
Waste disposal*	£2,437,709	
Overheads	£326,309	(£326,309)
Garden Waste Subscriptions	-£638,400	
Total	£6,060,105	£4,260,698 #
Garden Waste Subscriptions		-£638,400
Dry recycling income		-£128,307
Revenue cost to CDC		£3,493,991

* This is a Gloucestershire County Council cost

Although the values above add to £4,260,796 the stated value was reported to Members.

The table below shows the financial modelling work carried out and how this was reported to Members.

Option	Option description	Resource Futures's Modelled cost		Ubico's Modelled cost		Modelled costs reported to Cabinet/Council ⁱ		CDC Revenue cost reported to Cabinet/Council ⁱⁱ	
		Cost	Rank	Cost	Rank	Cost	Rank	Cost	Rank
Baseline	Current service	£5,718,248	6						
1a	Fortnightly multi-stream dry recycling, weekly combined food and garden waste. Updated current service	£5,605,124	2	£6,089,123	6	£4,309,834	6	£3,472,178	1
1b	Fortnightly multi-stream dry recycling, weekly separated food and garden waste. Current service with addition of textiles, small WEEE			£6,381,872	8				
2a	Fortnightly multi-stream dry recycling, weekly food and fortnightly (separated) garden waste. Similar to Cheltenham's service	£5,466,655	1	£6,060,105	5	£4,260,698	5	£3,493,991	3
2b	Fortnightly multi-stream dry recycling, weekly separated food and garden waste.			£6,516,623	10	£4,717,313	7	£3,950,606	8
3	Weekly multi-stream dry recycling, weekly food and fortnightly (separated) garden waste.	£5,681,848	4	£6,868,749	12	£5,255,747	10	£4,469,367	10
4a	Fortnightly dual-stream dry recycling (glass separate) and weekly combined food and garden waste. Similar to WODC's service	£5,971,519	10	£6,568,033	11	£4,963,426	9	£3,951,088	9
4b	Fortnightly dual-stream dry recycling (glass separate). Weekly food and fortnightly (separated) garden waste.	£5,675,036	3	£6,465,151	9	£4,864,225	8	£3,922,837	7
5a	Fortnightly dual-stream dry recycling and weekly combined food and garden waste. Similar to Stroud's service	£5,737,208	7	£5,871,613	3	£4,133,800	3	£3,490,086	2
5b	Fortnightly dual-stream dry recycling, weekly food and fortnightly (separated) garden waste.	£5,824,349	9	£5,958,578	4	£4,200,921	4	£3,628,156	6
5c	Fortnightly dual-stream dry recycling and weekly separated food and garden waste.			£6,333,471	7				
6a	Fortnightly co-mingled dry recycling and weekly combined food and garden waste. Deemed non-compliant with Waste Regulations	£5,717,652	5	£5,853,672	2	£3,698,866	2	£3,559,108	4
6b	Fortnightly co-mingled dry recycling, weekly food and fortnightly (separated) garden waste. Deemed non-compliant with Waste Regulations	£5,804,793	8	£5,804,794	1	£3,629,968	1	£3,561,160	5

i- Calculated from Ubico's modelled costs, excluding disposal costs, as these are Gloucestershire County Council's costs, and garden waste subscription income

Previous column with addition of garden waste subscription income and dry recycling gate fees/income

As previously stated, the modelled service delivery cost of option 2a was £4,260,698. On the 1st March 2019 Ubico presented the Project Board with the actual contract cost. In the first year of operation this equated to an increase of £1,249,925 (annual cost of £5,510,623). Following challenge from CDC/GJWT officers, numerous meetings and additional work was carried out to identify reasons for this variance and Ubico were requested to explore ways to reduce the increased cost to the Council. In August 2019 Ubico provided the Board with an amended contract cost of £4,829,327.

	Dec-18	Mar-19	Aug-19
Drivers and loaders	£1,773,110	£2,036,420	£2,036,420
Agency	£400,000	£314,221	£314,221
Supervisors	£121,200	£97,444	£97,444
Overtime	£50,000		
Workshop management staff		£187,599	£187,599
Other operational staff		£96,061	£96,061
Mileage and apprenticeship		£21,865	£21,865
Uniform and apprenticeship levy		£36,627	£36,627
Vehicle maintenance by service		£258,223	£236,923
Depot		£243,238	£243,238
Fuel		£622,596	£552,279
Vehicle running costs	£955,383		
Vehicle hire, ops licence and comms		£65,914	£65,914
Fleet insurance		£96,416	£96,416
Fleet - asset charges, including interest		£794,100	£241,771
Fleet - other non-salary costs		£149,741	£149,741
Fleet renewal contribution	£556,839		
Operations costs - excluding salary		£125,443	£125,443
Container costs	£77,953		
Mobilisation costs		£62,621	£62,621
Sub-total	£3,934,485	£5,208,528	£4,564,581
Overheads	£326,309		
Corporate Charge		£302,095	£264,746
Total	£4,260,794	£5,510,623	£4,829,327

The table above compares the differences between the three contract costs presented by Ubico. The reduction in the contract cost between March and August 2019 was a result of corrections to the calculation of fuel and fleet asset charges. No amendments to the service were made.

In May 2019 SWAP Internal Audit Services were commissioned by the Publica Group Finance Director to carry out a review of the Waste and Recycling Project, as per the objective below.

The aim of this review was to identify weaknesses in the management of the Waste and Recycling collection project. We have offered suggestions of lessons learnt, observations for consideration and benchmarking of best practice from our other partner Councils. Our hope is that this document can be used to enhance any future Council projects of this size, importance and value.

Audit Conclusion / Findings

The governance of the Waste and Recycling Redesign project has not followed best practice project management principles, which has resulted in a range of misunderstandings and misinformation between the various stakeholders involved. In particular:

- Cabinet / Council were not presented with the 'full cost' of the service to inform their decision, merely the variable operational cost of the options.
- Fixed costs and overheads did not receive appropriate sign off, or challenge, early enough in the process;
- Decisions were made without costs being fully validated due to a desire to make an early decision;
- Independent financial input did not occur throughout the project but only immediately prior to report issue. This happened too late in the process to ensure appropriate due diligence was performed on the data.

As a consequence, key stakeholders did not recognise that the financial figures presented to them only related to certain variable costs rather than the whole cost of the service and an understatement of contract cost being presented to Members.

Joint Management Team Response

Joint Management Team had previously commissioned a review of the approach to programme and project management, and the findings of this report have been fed into that review. The review has led to new processes being put in place which ensure a greater oversight of the Council's programmes and projects. Existing programmes and projects will be 'retrofitted' into the new arrangements with appropriate controls. In addition, senior officer accountabilities will be clearly set out, together with requirements for financial and other support.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
2017/18 - Safeguarding	2	<p>"The 'Lead Designated Safeguarding Officer', who is accountable for the effective delivery of the Safeguarding Policy, must obtain assurance that the training requirements of the policy are met. In order to gain such assurance, it is recommended that a full review of the approach to training is undertaken for all 'employees' and Members. Focus should be given to the following:</p> <ul style="list-style-type: none"> - The introduction of Safeguarding into the Corporate Induction process - Development of a plan for Safeguarding training for staff and Members and to include a timeframe for completing the training requirements - Introduction of a method of recording staff training and understanding of training content" 	<p>The LSO, together with the Community Safety Officer, now attend induction sessions to give a presentation in respect of safeguarding and PREVENT.</p> <p>A training plan/strategy is being developed that will outline training requirements for staff and councillors and how this will be delivered.</p> <p>Safeguarding of children and vulnerable adults is now included on the new online training system and other courses will be added as appropriate. Details of completion of the courses will be recorded on the system."</p>	31/10/19	The Corporate Lead (Claire Hughes) advised that she is in the process of developing an updated policy and training strategy and hopes this will be concluded by the end of October 2019.

Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
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Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
2018/19 Disabled Facilities Grants	2	The Councils should ensure all planned work is approved by an Occupational Therapist or suitably qualified substitute (if appropriate) prior to any work commencing to ensure its suitability. In addition, consideration should be given to ensuring all major adaptations are checked on completion by an Occupational Therapist or qualified surveyor, and applicant satisfaction recorded, prior to payment being approved.	<p>The new HIA system to be implemented (for WODC) in April 2019 has a requirement for proposed and completed work to be approved built into it. It has been agreed by Foundations that provided it is written into the Regulatory Reform Order, basic works do not require OT involvement. We are researching courses and costs for Trusted Assessor Training for Officers to assist them with this decision-making process. This will speed up the process for applicants and reduce the backlog of works, thus better meeting clients' needs.</p> <p>Gloucestershire County Council has deemed the completion of satisfaction questionnaires unnecessary as all customers were satisfied due to the nature of the work and therefore was creating work with no real outcomes. Satisfaction surveys are therefore not undertaken at CDC. Officers have been reminded to ensure that satisfaction certifications are obtained after completion.</p>	30/04/19	<ul style="list-style-type: none"> • Cloud based HIA system implemented across Oxfordshire with direct access from Officers and OTs • Officers at CDC & FoDDC are now qualified to Trusted Assessor Level 4 • Gloucestershire County Working Group with Officers from CDC & FoDDC looking at ways of OTs only being involved in complex cases <p>Recommendation Closed</p>

Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
2018/19 Internal Enforcement Agency	2	Publica must ensure the Councils are consulted prior to any further stages of enforcement being internalised to ensure all risks can be considered by them.	Head of Revs and Bens and Business service managers are meeting to discuss a cabinet report with a view to adopting further enforcement methods. This will happen in late November/December.	28/06/19	The Business Manager for Operations Support and Enabling advised that following the departure of the officer, who was the only officer trained/certified in relevant enforcement, this piece of work is on hold. She has asked for this to be revisited in April 2020.
2018/19 Accounts Receivable	2	A review of all active subscriptions should be carried out, on behalf of each client, to identify any other duplicate subscriptions and these should all be corrected. Priority	Agreed. This will be carried out. Additional training will also be provided to AR officers to prevent this occurring again in the future.	31/03/19	Will be followed up during the 2019/20 audit of Accounts Receivable

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
2018/19 Section 106 Agreements and Funds	2	All relevant internal Service areas must be involved as appropriate, at either pre-application and/or application stage to ensure evidence, impact and need are generated regarding the proposed development. Consideration should be given to creating a reference document that states when the specific Service areas / officers should be involved in the S106 consultation process and who will maintain this document.	Historically, internal Services were not invited to submit claims as the Council did not have an approved policy to support their involvement. The Local Plan was approved in December 2018. Planning Managers will continue to raise awareness of recent policy changes and apply the Development Team Approach at the earliest stage, which will ensure all interested parties are included. Furthermore, regular meetings will be held with relevant Service areas to gain feedback from consultees over the consultation process.	31/07/19	<p>A new process has been designed which seeks to address the recommendations made in the audit. The new process aims to ensure that the process is fit for purpose for the years to come as the demands upon it increase due to increased CIL / S106 Funds.</p> <p>The Business Manager (Development Management) reported that measures have either been implemented or are ready for implementation at CDC Overview & Scrutiny Committee in December 2019. We will therefore undertake a follow-up audit in April 2020 to allow sufficient time for processes to be embedded within the service.</p>
2018/19 Section 106 Agreements and Funds	1	To ensure all S106 Agreements and financial contributions can be monitored, an overarching S106 record should be maintained, to include: covenants, clauses, triggers and payments. The use of the tick box in Uniform should also be reviewed to assess whether this adds value to the Service and the records it maintains.	We will ensure the implementation of CIL includes a system for monitoring S106s. Prior to this being implemented, quarterly S106 monitoring meetings will be held with the S106 Development team. The Governance arrangements of this team will be developed following the conclusion of the audit.	31/07/19	As above

Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
2018/19 Section 106 Agreements and Funds	2	To ensure there is a full audit trail and financial contributions are consistently managed, developers should be invoiced for financial contributions once the relevant trigger has been reached. In addition, evidence that 3rd parties spend contributions in accordance with the agreement, or an itemised invoice, should be obtained prior to issuing payments to 3rd parties.	Officers will liaise with officers at WODC and FODDC to agree a consistent approach to recording and invoicing, and the submission of evidence from 3rd parties.	31/07/19	As above
2018/19 Section 106 Agreements and Funds	2	To ensure the Council can be held to account in managing the delivery of S106 obligations, the progress of S106 Agreements should be regularly reported to all Members and on the Council's website	Portfolio holders will be regularly updated going forward. Once CIL has been implemented, the CIL system will aid with the reporting of S106s to Members and on the Council's webpages will also be developed to allow the delivery of S106s to be reported there.	31/07/19	As above
2018/19 Housing Benefit and Council Tax Support	2	Remind Benefit Officers that all claims must be correctly updated to ensure information displayed and held in Northgate is correct. Priority	Legislative changes have been clearly identified and guidance issued to ensure officers are aware as to how claims for Housing Benefit are affected in order to prevent further overpayments arising during assessment.	30/09/19	Will be followed up as part of the 2019/20 audit
2018/19 Subsidy Claims	2	Increased quality assurance should be undertaken in the areas where errors were found in the 2017/18 Subsidy Claim calculation, to mitigate against issues resulting from local authority error.	We already check a proportion of these claims, but moving forward there will be a closer monitoring and increase in QA in these areas	29/09/19	

Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
2018/19 Systems Admin	2	<p>We recommend a principal Identity and Access Management process detailing requirements for 'Joiners, Movers and Leavers' is developed and documented and that complies with the requirements set out in the Information Security and Access Control Policy. The overarching process should apply to and embrace all systems that may not be included within the standard ICT team scope and should be available for all employees to view and follow.</p> <p>System administrators should then document or update local processes and procedures that should be in alignment with the overarching policy and process requirements. and documented on a quarterly basis as per the requirements of the Risk Management Policy</p>	<p>Our team ICT Administrators are now updating and documenting our Access Management system process for joiners, Movers and Leavers. A change control process will be introduced that will document significant changes to the ICT infrastructure which will also align to our ICT User Policies and guidances.</p>	31/03/20	Follow-Up in Progress

Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
2018/19 Systems Admin	2	<p>We recommend that officers with systems administration responsibilities are requested to review the Security Policy and its requirements, perform a gap analysis on their current system settings and processes and devise a plan to implement those changes to ensure continued compliance with the Policy. Should it not be possible to make changes for any reason, they should be risk assessed and documented on the ICT risk register or policy exception register.</p> <p>Priority</p>	<p>We agree with the password setting findings and risks with on systems Business World and Civica applications. However at present these risks are mitigated by the Active Directory (AD) password settings. Both Business world and Civica systems users only access these systems via the AD. We also comply with the HMG National Cyber Security Centre (NCSC) password guidance on our network. However, we will seek to review all passwords policy setting on both applications. Our ICT Risk register will be updated to reflect these security risks and mitigations.</p>	31/12/19	Follow-Up in Progress

Audit Name	Priority	Recommendation	Management Response	Due Date	Update January 2020
2018/19 Procurement and Contract Management	2	We recommend that assurance is sought from Publica that contracts held and managed on behalf of the Council are monitored and managed effectively. Priority	The Joint Management Team, which includes the Publica Executive Directors and the Council’s Chief Executive, Monitoring Officer and Chief Finance Officer, will monitor the implementation of internal audit recommendations made to Publica in the “Procurement and Contract Management Governance 2018/19” report and the “Procurement 2018/19” report. Implementation of the internal audit recommendations will strengthen the internal control environment. Assurance will also be sought from the follow up work to be carried out by the internal audit team during 2019/20.	30/09/20	
2018/19 Human Resources (Sickness Absence)	2	The Council’s Sickness and Absence Policy should be reviewed and updated to ensure it meets the ongoing needs of the Councils retained staff.	We will review the Council policy. It will be brought in line with the new Publica policy if and when the partner Council adopts the new Publica terms and conditions.	30/11/19	

