![SWAP Internal Audit Services — Helping Organisations to Succeed]

Cotswold District Council

Report of Internal Audit Activity

October 2023

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.

Summary of Audit Findings

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
Key Financial Control	Payroll	Final Report	High Substantial	0				Report Included
Operational	Climate Change (Operational)	Final Position Statement	N/A	0				Report included
Governance	Freedom of Information	Final Report	Medium Reasonable	4	-	2	2	Report Included
Operational	Taxi Licensing Safeguarding	Draft Report						
Operational	Estates Services	Draft Report						
Operational	Property Services	Draft Report						
Key Financial Control	Bank Reconciliation	Draft Report						
Key Financial Control	Council Tax and NNDR	Audit in Progress						
Key Financial Control	Housing Benefit and Council Tax Support	Audit in Progress						
Advisory	Revenues and Benefits Service Review	Audit in Progress						
ICT	ICT Business Continuity Management	Audit in Progress						
Operational	Applicant Tracking System	Fieldwork to Commence						
Governance	Data Breaches	Brief Agreed						

| Audit Type | Audit Area | Status | Opinion | No of Rec | Priority | | | Comments |
					1	2	3	
Governance	Transparency Data	Brief Agreed						
Key Financial Control	Use of Waivers	Brief Agreed						
Operational	Accounts Payable – Qtly Review	In Progress						
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Advisory	Environmental Services Improvement Programme	On-Going						
Advisory	Procurement and Commissioning Group	On-Going						
Advisory	Health and Safety Working Group	On-Going						
Advisory	Risk Management 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						
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

Payroll – Final Report – June 2023

Audit Objective	To provide assurance that the Payroll system is operated in accordance with agreed policy/procedure and with the Council/Clients Financial Rules.

Assurance Opinion

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.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	0

Risks Reviewed

Payroll is not processed accurately or on time which means inaccurate, or ghost payments are made resulting in financial losses and reputational damage.

Assessment

Low

Key Findings

Processes have been adopted by the Payroll Team to ensure employees are paid promptly and accurately. Evidence demonstrated reconciliation, review and appropriate approval of payment files including variances, these processes ensure ghost accounts / payments are not created. Remaining leave entitlements are calculated and documented for final payments. Manual salary advances are rare but evidence of approval from Senior Management is documented when necessary. Evidence of recovery of advances and overpayments is available on the Finance system. 3rd party deduction testing did not identify errors. The Council's payroll suspense accounts balance at year end.

Audit Scope

This review includes testing accuracy of information for starters, leavers and contract variations, including name, NI, system status and hours.

An assessment of salary advances and overpayments, including recovery; and processes (including any workarounds) to ensure timely completion and accurate monthly payroll processing.

Deductions and payments for a selection of 3rd parties assessed for accuracy (HMRC not included as this was assessed in last year's audit).

Follow-up of previous agreed actions.

Other Relevant Information

Time analysis was conducted on the manual processes (workarounds) needed to ensure the payroll is processed correctly each month. We calculated that an estimate of 13%, of a Payroll Officer's time, is required for this as the system isn't able to produce a payroll without manual intervention. We are also aware that Payroll Officers only take leave once a payroll has been completed for a month. This can't be avoided without a significant financial investment for a new payroll system. Eliminating the manual workaround requirements would allow officers to concentrate on strategic and management tasks, including cleansing data on the system.

Testing on the accuracy of information identified minor administrative errors which required further assessment with Officers to confirm any impacts would not be of significant concern.

Outdated information identified on the Council's finance/spending webpages relating to pay. Officers should determine who has responsibility for this information as they will need to complete a request for a website update.

Climate Change (Operational) – Final Position Statement – August 2023

Introduction / Background

The Council has made a commitment to move towards net-zero for its activities by 2045. A number of activities and corporate projects are underway to deliver against these timelines to ensure this commitment can be met e.g. carbon literacy training for all employees, working from home, solar panels on council buildings, decarbonisation of leisure centres etc.

This audit, rather than look at the specific work of the climate teams, considers how other teams are seeking to embed the climate change challenges within their own operational activities. This cross organisational approach will support further the Council's commitment to the Climate Emergency.

An organisational wide survey to 27 officers (Assistant Directors, Business Managers and the Climate Change team) was utilised to inform the basis of the review and included questions to assess:
- Staff understanding of corporate objectives,
- Key Performance Indicators surrounding Climate Change operations,
- Operational risk reporting process relating to Climate Change,
- Engagement with the public on Climate Change operations.

This audit was originally planned to be an assurance piece of work to include a survey, substantiative testing, and evidence review. However, due to receiving only eight survey responses we are unable to progress as planned and have therefore issued this Position Statement which summarises the responses.

Key Findings

The main finding at this current time is that Climate Change operations are not sufficiently embedded into the organisation. Cotswold District Council has made a commitment to their residents to be completely net-zero by 2045 with an 80% carbon reduction by 2030. They have also committed to have 100% clean energy use across all their functions by 2030. For these commitments to be upheld, further work must be completed to embed Climate Change into the organisation.

The survey responses highlighted the following:
- 88% of responders (7 officers) rated the operational work toward the net zero statements made by the authorities was neither effective nor ineffective.
- Only two survey respondents had specific Climate Change risks on their Operational Risk Registers. A further two respondents said they had Climate Change risks but did not specifically name them.
- 75% of survey respondents (6 officers) did not have any Climate Change key performance indicators, measures, or milestones to track the operational work being undertaken.
- 88% of officers were not actively tracking their Carbon Footprint within their service areas.
- 50% of respondents stated they had resource to actively work toward the Climate Change commitments.
- 75% (6 officers) had worked alongside the General Public whilst 25% (2 Officers) had not. When asked for specific examples of working alongside the General Public to promote the Climate Change agenda, they were not provided.

Conclusion

The survey responses indicate that there may be potentially a lack of corporate oversight and direction provided to service areas. Also, the lack of engagement from 70% of the officers surveyed suggests that Climate Change may not be high on the operational agenda.

The risk is that the Council experiences reputational damage, and potential financial penalties, through failing to deliver on one of its corporate priorities and take appropriate action to mitigate the threat of climate change, and its associated impacts. To effectively mitigate this, we suggest consideration be given to the following areas:

- Climate Change oversight and direction – Overarching direction for officers to work to in accordance with Council Plans. To include operational policy, training, and key performance indicators and milestones so that tacking delivery of work can be demonstrated.
- Climate Change operational risk management – consider service areas Climate Change related risks and mitigating actions.
- Carbon Footprint offset and tracking guidance.

Due to the low response rate, it has been agreed that we will repeat the survey in April 2024. This data will be included in a further climate audit planned for 2024/25 which will encompass the Council's Strategy and commitment to carbon reduction, and how these are being addressed by way of operational (service) activities and the wider projects / activities.

Freedom of Information – Final Report – September 2023

Audit Objective	To assess the effectiveness of the Council's Freedom of Information (FOI) procedure and provide assurance that the procedure is in line with the Freedom of Information Act 2000.

Assurance Opinion

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.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	2
Priority 3	2
Total	4

Risks Reviewed

The Council's reputation is damaged and financial losses occur through fines due to improper management of Freedom of Information requests.

Assessment

Medium

Key Findings

The Access to Information policy and the Publication Scheme has not been reviewed and updated since November 2018. The Freedom of Information Act 2000 requires up to date information to be published and regular review to be undertaken.

The Freedom of Information team are fully trained in handling Freedom of Information Requests (FOIs), but staff training has not been provided to the various service areas who receive requests directly. This could result in responses not meeting statutory timeframes or information provided may be of poor quality.

FOIs statistics have not been published since Quarter 1 2022/23. As recommended by the Information Commissioners Office, statistics will be published moving forwards.

A process is currently being developed to action FOIs received via social media. Finalising and formalising this document will ensure all FOI Requests are identified and responded to within the time limit.

In Quarter 1 of 2023-24, 83% of requests are being met within the 20-day time limit, this is an improvement of 17% from the previous year.

Audit Scope

This internal audit review considered the following areas:
- The authorities FOIA policy and procedure,
- The process in place for handling FOIA requests,
- The timeliness of responses to FOIA requests,
- The accuracy and quality of the information provided in response to FOIA Requests,
- The management of FOIA records,
- Overarching assessment of compliance with the Freedom of Information Act 2000.

The approach used within this audit used a combination of discussions with staff, walkthroughs, sample testing of processes in place, and review of documentation.

Summary

Overall, good practice is operating in handling FOI requests. The FOI team quality check all responses compiled by service areas to ensure that only quality information is sent out to the requestee. Personal data is managed in line with GDPR Regulations and stored in a central drive with limited staff access. A process is in place for when information is subject to a charge, but it is not common for payment to be received as generally the charge is declined. A solid audit trail is not maintained in all cases. It would be good practice to quality check the audit trail each month to ensure a sufficient audit trail is maintained.

An action plan has been agreed to enhance current controls and to provide added value to Publica and its partner authorities.