

# Cotswold District Council

## Report of Internal Audit Activity

January 2024

## 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

<b>No</b>	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.
<b>Limited</b>	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.
<b>Reasonable</b>	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.
<b>Substantial</b>	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.

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
<b>Priority 1</b>	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
<b>Priority 2</b>	Important findings that need to be resolved by management
<b>Priority 3</b>	Finding that requires attention.

#### Definitions of Risk

Risk	Reporting Implications
<b>High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>Low</b>	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			Comments
					1	2	3	
Key Financial Control	Payroll	Final Report	High Substantial	0	-	-	-	Reported in October
Operational	Climate Change (Operational)	Final Position Statement	N/A	0	-	-	-	Reported in October
Governance	Freedom of Information	Final Report	Medium Reasonable	4	-	2	2	Reported in October
Operational	Taxi Licensing Safeguarding	Final Position Statement	N/A					Report Included
Governance	Transparency Data	Final Report	Medium Reasonable	4	-	4	-	Report Included
Key Financial Control	Bank Reconciliation	Final Report	Low Substantial	1	-	-	1	Report Included
Key Financial Control	Council Tax and NNDR	Final Report	High Reasonable	2	-	-	2	Report Included
Key Financial Control	Housing Benefit and Council Tax Support	Final Report	High Substantial	0	-	-	-	Report Included
ICT	ICT Business Continuity Management	Final Report	Low Substantial	2	-	1	1	Report Included
Operational	Estates Services	Draft Report						
Key Financial Control	Use of Waivers	Draft Report						
Operational	Property Services	Draft Report						
Advisory	Revenues and Benefits Service Review	Draft Report						

## Summary of Audit Findings

## APPENDIX C

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Key Financial Control	Accounts Payable	Audit in Progress						
Governance	Data Breaches	Audit in Progress						
Governance	Risk Management	Audit in Progress						
Governance	Audit Committee Effectiveness	Audit in Progress						
Key Financial Control	Appointment of Consultants and Contractors							
Key Control	Payroll							
Key Control	Human Resources							
Grant Certification	Carbon Data 2021/22	Complete						
Grant Certification	Carbon Data 2022/23	In Progress						
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						



## Summary of Audit Findings

## APPENDIX C

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Advisory	Procurement and Commissioning Group	On Going						
Advisory	Health and Safety Working Group	On Going						
Advisory	Risk Management Group	On Going						
Advisory	Project Management – Active Cotswold	On Going						
Advisory	Emergency Planning	On Going						Support to CDC's Rest Centre and Co-Ordination Teams
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



## Taxi Licensing – Final Position Statement – November 2023

### Introduction / Background

An assurance audit for Taxi Licensing Safeguarding was originally included in the agreed Audit Plan. Amendments to statutory guidance regarding safeguarding practices were made in 2020; the objective of this audit was to assess the effectiveness of current processes and to ensure compliance with these safeguarding obligations.

As the audit commenced it became evident that processes and procedures are being reviewed in this service area. The aim of this is to strengthen existing controls and to align processes across the three partner Councils. These changes have not progressed as quickly as the service would have liked due to long term staff illness and resource constraints.

We are issuing this Position Statement having reviewed current processes, undertaken limited testing, reviewed information available on the Council's website and held discussions with the Team Leader. The suggestions / areas for consideration below are designed to aid the service as it progresses with its internal review.

### Findings

#### 1. Policy

In September 2021, the Hackney Carriage & Private Hire Licensing Policy, which includes the changes to statutory guidance, was approved by the Planning & Licensing Committee. As part of this review, consultation of a Gloucestershire wide Common Standards Policy was considered and adopted by the Council. However, this is not specifically mentioned in the Policy or noted on the Council's website.

**Observation:** *Although, not high risk, if the Council were to acknowledge working within a countywide approach, it may deter those drivers who have been refused a licence from a neighbouring authority from applying again at another authority. This could provide potential efficiencies in terms of application processing times.*

**Management Response:** The Policy and the Council's website will be updated. We have been advised that the Policy does not need to go back through Committee as only adding a 'communication' type narrative and nothing that changes the Policy.

#### 2. Application Processing and Records Management

Officers are required to complete a series of checks and mark as 'satisfactory' before the Uniform system will produce a new or renewal licence. However, there were many instances where evidence was not maintained within IDOX (document management system). For example, missing documentation included medical reports, evidence of safeguarding training, Tax code and NR3S Register checks (National Register of Taxi Licence Refusals, Revocations and Suspensions), proof of ID, etc. Insufficient audit trails could potentially result in the Council not being able to defend themselves if challenged.

**Suggestion:** *Officers should be reminded to upload all evidence to IDOX to support licences issued. Introducing management checks will help to mitigate the risk of insufficient records maintenance.*

**Management Response:** Officers have been advised of the importance of ensuring all documents are uploaded. Management/monitoring check of 10% of cases will be introduced to provide additional assurance.

#### 3. Safeguarding Training

Training is provided by Cheltenham Borough Council (CBC), Gloucester City Council or Tewkesbury Borough Council for the Gloucestershire authorities. WODC drivers are required to pass a 45 minute compulsory multi choice test and must read and understand the Safeguard & Disability Training manual which assesses their understanding of the course content. But this was not the case in Gloucestershire. We can confirm CBC has reviewed its training provision and now requires applicants to pass a safeguarding awareness test.

We noted that some drivers are not up to date with safeguarding training; refresher training must be completed every 3 years. The Licensing Team Leader (LTL) advised that prior to 2021 when the requirements were implemented into the new policy, refresher training was not a requirement at CDC. And that a phased approach period to ensure that all drivers have undertaken this training was agreed. The officer explained that a process had not been put in place during the pandemic. However, a project is currently underway to ensure that all drivers have undertaken refresher training by 30/06/24 or risk having their licence suspended. This is also stated on the Council's websites. We can confirm that CDC has reviewed its provision and requires applicants to undertake a safeguarding awareness course every 3 years.

**Observation:** *Consider if the Uniform system can be configured to produce reports which will identify safeguarding training renewal data.*

**Management Response:** Safeguarding training has now been put in place. License holders now have the option to attend courses in Cirencester instead of travelling further afield.

4. Complaints Monitoring

The LTL advised that Customer Service officers log customer contact/communications in the Uniform system as a 'Service Request' and will often use a 'Complaint' prefix when the call is not really a complaint. The officer was in the process of developing new guidance for Customer Service staff to ensure complaints are accurately determined. The LTL allocates service requests to the team daily, and any communications that are complaints are processed in accordance with the Hackney Carriage & Private Hire Licensing Policy. Initial investigations are undertaken by the service area and reviewed by the LTL/Business Manager. Reports/appeals are presented to the Licensing Committee depending on circumstances as detailed in the Policy.

No separate records are maintained, and service requests must be manually linked to the Licensing module, which means that potentially repeat offenders/incidents or trends will not be identified. The LTL explained that she undertakes ad hoc monitoring, but evidence is not maintained. The officer stated the service is firefighting and with previous long term sickness within the team, it is difficult to be as efficient as hoped.

Service Request data from April 2022 – August 2023 identified 21 cases. 6 cases reviewed found no instances which resulted in a warning being issued to the driver. All requests were actioned and closed within 30 days.

**Suggestion:** *The difference between a complaint and a service request should be clearly defined (to include examples) and cascaded to all relevant officers. Periodic monitoring of service request data should be implemented to identify trends and/or repeat offenders, which will help the service be more proactive than a reactive service.*

**Management Response:** The LTL will work with Customer Services to ensure identified complaints and service requests are separated more clearly.

5. Income Reconciliation

The Council's Financial Rules I5.1, states that 'Budget holders are responsible for reconciling income systems with the council's main accounting system monthly to ensure that all income received has reached the correct budget head and investigating where there is a discrepancy'. The LTL confirmed she does not complete this reconciliation, but she does forward reports to Finance at year end. The LTL advised this is something she was looking to implement.

**Suggestion:** *The LTL should liaise with Finance and develop a process to undertake monthly reconciliations as per the Financial Rules.*

**Management Response:** The LTL will develop a process to undertake monthly reconciliation which will be of use to both the service area and Finance.

6. Data Analysis

We discussed undertaking data analysis to determine if there were any anomalies or trends that would benefit from further review. But the LTL explained that the Uniform system needs 'housekeeping' and therefore there was no value at this current time. The officer explained Uniform is reviewed as and when time allows, and that currently focus was on ensuring business as usual is delivered.

**Observation:** *Data analysis can be a useful tool but is only effective if the integrity of the data can be assured. It would benefit the service if as part of the internal review, some time was set aside to ensure 'housekeeping' is undertaken and to consider how best to use the data held within the Uniform system.*

**Management Response:** Work will be undertaken with the team and support sought from the Performance team / Data & Performance Analyst.

## Conclusion

The 2020 amendments to statutory guidance specifically relating to driver safeguarding issues, have been implemented at CDC.

More robust procedures are being implemented at CDC as part of the internal review which seeks to align processes across the three partner Councils. For this reason, we have issued this Position Statement to provide a 'critical friend' point of view.

We hope to revisit the area and provide assurances once the service has completed its review.

## Transparency Data – Final Report – November 2023

### Audit Objective

To assess the effectiveness of the Council's Transparency procedure and provide assurance that the data published is in line with the Local Government Transparency Code 2015.

### 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	4
Priority 3	0
Total	4

### Risks Reviewed

The Council is non-compliant with Information Management legislation under the Local Government Transparency Code

### Assessment

Low

### Key Findings



The following data was not available, or up to date, on the public facing website:

- Grants to Voluntary, Community and Social Enterprise (VCSE) organisations.
- Organisational Chart.
- Trade Union Facility Time.
- Senior Salaries.

Therefore, 29% of information that needs publication is non-compliant with the Transparency Code 2015.



All other data (as listed under Audit Scope) was published in accordance with the Transparency Code 2015, and easily accessible. Publication of the data reduces the risk of complaint to the Information Commissioners Office is sufficiently mitigated.

### Audit Scope

The audit was a compliance review of the Local Government Transparency Code 2015. We reviewed the following information to ensure that it was published in accordance with the Transparency Code 2015:

- |   |                               |
|---|-------------------------------|
| ○ Expenditure over £500.  | ○ Senior Salaries.            |
| ○ Government procurement card transactions.                           | ○ The Pay Multiple.           |
| ○ Procurement information.  | ○ Trade Union facility time.  |
| ○ Grants to Voluntary, Community and Social Enterprise Organisations. | ○ Local land assets.          |
| ○ Organisation Chart.   | ○ Social housing asset value. |
|   | ○ Parking accounts.           |
|   | ○ Parking spaces.             |
|   | ○ Fraud.                      |
|   | ○ The Constitution.           |

### Summary

The Local Government Transparency Code sets out the minimum requirements for local authorities to publish open data on the public facing website and for this to be completed promptly. Cotswold District Council (CDC) have demonstrated a good level of compliance with the Transparency Code but there are areas where compliance has not been demonstrated. If these areas are not addressed, the Council could receive complaints to the Information Commissioners Office (ICO) which could lead to further scrutiny and potential reputational damage. Our action plan intends to mitigate this risk by ensuring compliance with all elements of the Transparency Code, all elements have been agreed with Public Officers and work is underway to comply with the Code.


**Observations:**

- Consideration should be given to creating an itemised schedule to enable robust monitoring and ensure the required information remains up to date.
- The Pay Multiple is a constantly changing figure, so although we have been unable to confirm the Pay Multiple as accurate this does not mean it is non-compliant. Work is underway to ensure this remains up to date on an annual basis, and it is published on the Public Facing Website in the Pay Policy Statement.

## Bank Reconciliation – Final Report – September 2023

### Audit Objective

To provide assurance that core financial processes are operated in accordance with agreed policy/procedure and with the Council/Clients Financial Rules.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	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	Priority	Number	A lack of effective management of finance systems and processes may result in potential fraud, loss of income and reputational damage. The Financial Statements may not be accurate which may result in potential fines and additional pressures on already stretched resources.	Low
		Priority 1	0		
		Priority 2	0		
		Priority 3	1		
		Total	1		

### Key Findings



We identified historic, outstanding entries (mostly income) in the suspense account stretching back several years, many of which are likely to remain unresolved. A standard process to deal with suspense account entries in a timely, efficient manner will be agreed and the outstanding entries actioned.



We can confirm the monthly bank reconciliation is being completed in a timely manner, is appropriately authorised and is in accordance with the Financial Rules.

### Audit Scope

The following areas were reviewed:

- Processing of income and payment data into ledger, feeder systems etc.
- Suspense accounts, monitoring, processes.
- Reconciliation of feeder systems (NDR, CT etc) to the general ledger.
- Frequency and accuracy of bank account reconciliations.
- Authorisation process for bank account reconciliations.

### Other Relevant Information

The audit was also undertaken at the other Publica partner authorities, it highlighted differences in working practices across each of the organisations. To increase operational resilience, management may wish to consider standardising working practices in all areas of the bank reconciliation process.

## Revenues and Benefits – Final Report – December 2023

### Audit Objective

To ensure key financial system controls are operating effectively for Council Tax and Business Rates, Housing Benefits, and Council Tax Support, and that opportunities for error, fraud or corruption are minimised.

### Assurance Opinion – Council Tax and NDR



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	0
Priority 3	2
Total	2

### Risks Reviewed

Incorrect Council Tax and Business Rates are collected due to errors, omissions, or fraud, resulting in financial loss and reputational damage.

### Assessment

Low

### Assurance Opinion – Housing Benefits



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

Housing benefit and/or council tax reductions awards are not paid or recovered correctly or in a timely manner, due to errors, omissions, or fraud, resulting in financial loss and reputational damage.

### Assessment

Low

### Key Findings



**Council Tax and NDR:** As part of the review underway to align services, training/procedure notes are due to be reviewed. Consideration should be given to the level of detail required in the notes, as well as defining the process for capturing/obtaining information, in order to ensure consistency.



**Council Tax and NDR:** The format of the new discount review forms requires review to ensure there is not a risk of digital exclusion.



**Council Tax and NDR:** Overall, our testing showed that discounts, reliefs, and exemptions are being appropriately applied across the board in Council Tax and NDR. Collection rates KPIs are in place and reported on regularly with a view to using this data with staff 121s. Process mapping is underway to review and align services.



**Housing Benefits:** Applications within Housing Benefits are managed properly and are well-controlled. Evidence is suitably reviewed and saved within the Open Revenue's system; this provides sufficient audit trails and mitigates the risk of a fraudulent claim. Communication with residents is issued in consistent and appropriate formats.

### Audit Scope

We reviewed the following processes:

- CTax/NNDR – Collection, discounts, reliefs, and exemptions.
- HB & CTS – Application process, Evidence Verification.
- Postponed work from 2022-23.

Analysis was performed on the reports requested, in conjunction with walkthrough and sample testing to form an opinion on the effectiveness of the controls in operation.

Discussions were held, with evidence sought to support statements made.



## Summary

### Conclusion

It is clear that a significant amount of progress has been made to ensure that the Revenues and Benefits Service operates as efficiently as possible, and a substantial amount of work has been completed, or is underway, to help achieve this.

The assurance we have given on this audit is specific to the areas we have reviewed. Overall, the Revenues and Benefits service is performing well in the areas recorded within the scope, and proactive steps are being taken to ensure positive change occurs. We have reviewed the deferred work from last year's audit and there are no issues to report. We have agreed two actions to address the findings above.

The following observations and suggestions are made to enhance current processes.

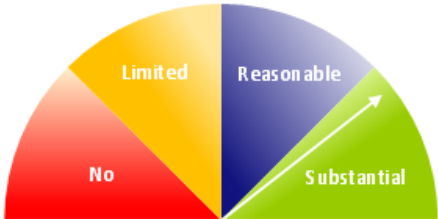
### Observations and Suggestions

- It is unclear whether some non-time sensitive Council Tax and NDR discounts and exemptions are reviewed in a timely and consistent manner. We have not looked further into the review process this year due to scope restrictions and timings. We propose that we will address in more detail in next year's audit.
- There was some confusion surrounding the role of the Counter Fraud Enforcement Unit within the wider Revenues and Benefits service, but this was clarified during this audit. However, we suggest that Management review the process of handling family and friend's accounts, and consider whether they wish to implement any additional controls.
- The Housing Benefits team retain a good audit trail of all evidence and communication with residents within the Open Revenues system. But there is limited identifiable features on the attachments, which could lead to inefficiencies when reviewing the account. If the system allows, it is suggested that the audit trail could be altered to include identifiable features which would make navigating the account more efficient.




## ICT Business Continuity – Final Report – December 2023

### Audit Objective

To provide assurance that ICT Business Continuity/Disaster Recovery arrangements are managed effectively.

Assurance Opinion		Number of Actions		Risks Reviewed	Assessment
	<p>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.</p>	Priority	Number	<p>Inadequate recovery plans / procedures result in the indefinite loss of key systems and data. This means Council operations would be adversely impacted potentially causing financial losses and reputational damage.</p>	<p>Low</p>
		Priority 1	0		
		Priority 2	1		
		Priority 3	1		
		Total	2		

### Key Findings

	<p><b>Disaster Recovery Test:</b> The established criteria for a successful test was being able to fully recover and operate the Business World application (including all clients) in a secure cloud environment using back-ups. Preparation was crucial for ensuring the cloud recovered application did not interfere with the live application hosted on the Council servers. Any technical issues encountered were resolved by the ICT recovery team and the application was operational within the same working day. Test financial reports and HR transactions were processed in the recovered system and checked against the live system. The recovery process is documented and available to members of the ICT recovery team. Processes are in place to ensure recovery communications are managed for both the ICT team and non-ICT stakeholders.</p>
	<p><b>ICT and Emergency Planning Formal Engagement and Alignment:</b> Regular formal engagement with the Emergency Planning teams of each key client hosted on the Council networks is required to support identification of issues, set expectations and align documentation.</p>
	<p><b>Documentation Updates:</b> A review of business continuity and disaster recovery documentation was completed. Several required updates have been identified.</p>

### Audit Scope

The audit includes:

- Review of ICT BCP / DR Plans – including processes, communication, assessment of system recovery
- Walkthrough of the Recovery Process
- Communication of test scenarios – reporting of lessons learned and areas for improvement/inclusion in plans

Scope exclusions: Service area plans are not included in this ICT review as they are audited separately.

### Additional Information

We collaborated with the ICT team on the planning and execution of the recovery test. This enabled discussion on the audit requirements and technical step-by-step processes which helped to develop our understanding.

Timescales for recovery depend on several factors including the amount of cloud processing power purchased for recovery. For this test, the amount of processing power purchased was limited to save costs but still enabled recovery. In a real disaster recovery scenario, the ICT recovery team will decide upon the optimum processing power required to purchase.

Impact assessments have been completed to support the prioritisation of system recovery. In a real event, the priority of system recovery will depend on several factors some of which are outside of ICT's control (e.g. depending on the time of the month, payroll functions may be more of a priority than revenues and benefits and vice versa).

