

Audits

Audit: Budgetary Control 2023/24

Introduction:

For 2023/2024, Council approved a net budget of £11,300,548. Budgetary Control is a fundamental aspect of financial planning and operations within the Council. It is necessary to ensure that residents continue to receive value for money and that the Council operates efficiently. An important part of budgetary control is budget monitoring, which is the process of comparing actual and forecast expenditure and income throughout the financial year, to identify main variances, pressures and risks. Prompt action must be taken to prevent these from arising, or to bring that have arisen back under control.

Budget holders, who have delegated control over a specific budget, must carry out careful monitoring of the actual positions and be aware of wider factors which may impact on the budget position. This includes the early identification of budget variances to ensure that these can be addressed within budget tolerances.

The audit will review the council's budgetary control framework to give assurance that this is effective. This will include obtaining assurance that budgets are accurately recorded within the main financial system, there is a scheme of budget delegation, the production of regular budget reporting and dialogue with budget holders, variance investigation and approval of virements.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p>Operational</p> <p>OP1: Responsibility for budgetary control is not defined and supported with documented procedures.</p> <p>OP2: Responsibility for budget monitoring is not delegated to appropriate staff.</p>	<p>Substantial</p>	<p>The council's Constitution, including Financial Procedure Rules, clearly sets out budgetary responsibilities. Assurance was obtained during the audit that this is supported with robust budget setting and monitoring procedures.</p> <p>The budget setting process is formalised in a defined budget timetable. This sets out the tasks to be undertaken. The audit review confirmed that all necessary stages of the process are included and allocated to responsible officers, along with timescales for completion.</p> <p>In respect of budget monitoring, whilst the audit found that there are no formally documented procedures in place, there is assurance that responsibility is clearly established. Monitoring reports are produced on a regular basis and are received by the nominated budget holders, who along with a finance representative, take a collaborative review of budgets. Through review of completed documentation and discussions during the audit, it is considered that the absence of formal procedures does not compromise the budgetary control process.</p> <p>The audit confirmed that financial limits for designated budget holders are appropriate, based on the individuals' roles and responsibilities. Whilst training is offered to all budget holders, this is not always taken up. The opportunity for improved understanding of the budget monitoring process is therefore not maximised. A recommendation has been made in this respect. [R1]</p>	<p>Recommendation 1</p> <p><u>Recommendation priority:</u> Low</p> <p><u>Recommendation Details:</u> Training for budget holders should be made mandatory and carried out as appropriate i.e., for new starters.</p> <p><u>Implementation date:</u> 31 October 2024</p> <p><u>Responsible Officer:</u> Associate Director: Finance</p>

<p>Economic and Financial</p> <p>EF1: Approved budgets are not accurately loaded onto the financial management system.</p> <p>EF2: Budget reporting and monitoring is not undertaken.</p> <p>EF3: Virements may not be properly authorised or reported.</p>	<p>Reasonable</p>	<p>Audit testing confirmed that for the council's 2023/24 budget, the above budget setting procedures have been followed.</p> <p>The budget of £11,300,548 was appropriately approved at Council on 21 February 2023, prior to the commencement of the financial year. Furthermore, the audit confirmed that the approved budget has accurately been uploaded to the general ledger. This is subject to ongoing monthly checks to provide assurance that the general ledger continues to balance.</p> <p>Earlier in this financial year the council undertook a management restructure. Assurance was obtained during the audit that as a result of this, the relevant changes have been made to budget headings and cost centres and this is reflected in the general ledger. In addition, in June 2023, CIVICA (who provide the financial management system) independently checked that the restructure had been accurately reflected on the general ledger.</p> <p>In respect of budget monitoring and reporting, this is a well-established process and takes place in accordance with the requirements of the council's Financial Procedure Rules. Budget monitoring reports are produced for budget holders on a monthly basis. In addition to this, evidence was obtained during the audit which confirmed that quarterly meetings take place between the budget holder and a finance representative to review budgets and establish reasons for any variances. A sample of reports were reviewed during the audit and this provided assurance that such variances are identified and mitigating actions taken where possible.</p> <p>With regard to budget reporting, quarterly reports, outlining the budget position, are produced and presented to Executive Committee. The audit confirmed that these reports contain clear and adequate budgetary information, with appropriate explanations where required. The reports are also presented to Overview and Scrutiny Committee and set out budget variances, both in tabular and narrative form, providing a detailed explanation of how the variance has arisen.</p> <p>Five virements were processed during this financial year. Three of these were supported by a report to Executive Committee, providing sufficient information to describe the virement and values reported were found to be accurate. For the remaining two, one was used to correct an initial mis-posting and it was therefore not necessary to be reported to the Executive Committee and one would have been more appropriate to transfer from reserves and this will be reversed.</p> <p>A review of the council's authorised signatory list, which shows the financial limits assigned to staff in relation to raising purchase orders, approving invoices and using corporate credit cards, identified that there are some discrepancies against the values set within the financial system.</p>	<p><u>Recommendation 2</u></p> <p><i>Recommendation priority:</i> Medium</p> <p><i>Recommendation Details:</i> A review should be undertaken to confirm that the financial values approved on the Authorised Signatory list agree with values assigned in Civica and Lloyds, in relation to credit card expenditure.</p> <p><i>Implementation date:</i> 31 March 2024</p> <p><i>Responsible Officer:</i> Associate Director: Finance</p>
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A recommendation has therefore been made in this respect [R2].

Audit: New Heating System 2023/24

Introduction:

In October 2019, Tewkesbury Borough Council declared a climate emergency. As part of the motion at the meeting of Council, it was agreed that the council would 'commit to doing all in its power to make Tewkesbury Borough Council Offices carbon neutral by 2030'. As part of this target, the council has invested in a new air source heating system, to replace the ageing gas boilers and remove the need for gas on site at the Public Service Centre. The Department for Energy Security and Net Zero and the Department for Business, Energy & Industrial Strategy has introduced the Public Sector Decarbonisation Scheme to support the aim of reducing emissions from public sector buildings by 75% by 2037, and the council applied for funding from this scheme to fund this project.

The grant scheme has entered Phase 3 of the Public Sector Decarbonisation Scheme which aimed to provide over £1.425 billion of grant funding over the financial years 2022 to 2023 and 2025 to 2026. The council received grant funding of £708,282.00 from the scheme, however this did not cover the full costs of the heating system, and a report was taken to a meeting of Council in July 2023 to obtain approval to use the council's reserves to fund the remaining costs. The works for the new heating system are under way and this audit will look to confirm that appropriate controls are in place.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p>Legislative and Policy Compliance</p> <p>LPC1: Non-compliance with contract procedure rules.</p>	Substantial	<p>Following approval of the council's Climate Change and Carbon Reduction Action Plan in July 2020, funding was successfully received from the governments Low Carbon Skills Fund (LCSF) to complete a feasibility study into the best replacement heating system for the Public Services Centre. This study was completed by McCanns, using the Perfect Circle Framework (PCF). The PCF is a property, construction and infrastructure consultancy framework which allows the council access to specialist suppliers for consultancy.</p> <p>Based on this consultancy work, a technical specification and tender document was composed. The audit confirmed that the tender was published on the council's website as well as on the governments central contracts register, known as 'contract finder'.</p> <p>Three tender submissions were received, and documentation reviewed during the audit provided assurance that these were appropriately processed and evaluated. The contract was awarded to GSM Limited.</p> <p>Therefore, based on the contract value of £1.1m, the audit confirms that the contract procedure rules have been complied with.</p>	None required.
Operational	Substantial	The council has entered into a contract with GSM Limited for the replacement heating system. Key conditions within the contract were therefore reviewed as part of the audit, in order to	None required.

<p>OP1: An appropriate contract is not in place, or is not adequately monitored, leaving the council at risk of additional financial cost.</p>		<p>obtain assurance that they are being met.</p> <p>A contract of this value requires effective project management. The audit confirmed that, to help ensure this, Pick Everard have been appointed as technical project management consultants. Pick Everard also provided the Council with Health & Safety advice, prior to and during contract, to meet the Council's legislative duties and to ensure safety of occupants of the building. As part of the Pick Everard agreement, an onsite review of GSM's site Health & Safety during the works was undertaken to ensure safe working practices.</p> <p>A review of various documentation, including risk registers, activity schedules and meeting notes etc, provided assurance that robust project management arrangements are in place. This includes the use of project management software to track and monitor progress. The system is also used to update drawings, submit change requests and produce a monthly activity schedule, all of which were found to be used for verifying invoices prior to payment being made.</p> <p>In relation to change control, there is an established process in place whereby early warning notices are required to be raised. A review of changes which have taken place during the course of the project so far, confirmed that where these impacted either the time, cost or quality of the project, these had followed proper process and had been formally approved. At the time of the audit, 8 outstanding change requests were being considered and were due to be discussed at the monthly project meeting prior to any action being taken.</p> <p>It is acknowledged that there is a risk that some changes may be instigated without having been documented through the formal process. To mitigate this, as part of the completion phase of the project, the contractor is required to supply an Operation and Maintenance Manual, which will include 'as built' drawings and specifications. Verbal assurance was obtained that this will be reviewed by the Head of Asset Management, Pick Everard and McCanns, to ensure that all changes have been reviewed and approved where necessary. Handover of the project will not be completed until this document has been reviewed.</p> <p>The contract requires that test or commissioning certificates for the equipment are retained and updated as the work progresses. These are currently not provided due to the intention to prolong the warranty and the maintenance periods. Whilst this is not strictly in line with the contract, the risk is mitigated by GSM providing written confirmation that the system is safe to use on a monthly basis. This means that the liability remains with GSM and not with the council.</p>	
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<p>Economic and Financial</p> <p>EF1: Grant funding has been incorrectly allocated and money has not been spent in accordance with the grant scheme conditions.</p>	<p>Substantial</p>	<p>The council was awarded a total of £708,282 from the Public Sector Decarbonisation Scheme towards funding this project. A copy of the grant offer letter was therefore obtained during the audit and assurance can be provided that funding conditions are being met, which include the submission of monthly monitoring reports.</p> <p>The council is required to submit payment requests to draw down the monies throughout the project, these requests must demonstrate that eligible expenditure has been incurred. As at the time of the audit, the first payment request had been submitted on 14 November 2023, for a total of £490,441.01. Audit testing confirmed that this request had been appropriately authorised and was accurate, based on expenditure to date.</p> <p>Although this funding had not been received at the time of the audit, discussions with the Corporate Accountant confirmed that once received, this would be allocated against the general ledger and balanced against the expenditure already incurred.</p> <p>In relation to expenditure, on a monthly basis, GSM Limited submit to the council an 'activity schedule' which records all the works completed during the month, with costs and percentage complete. This schedule is reviewed by the Head of Asset Management and compared to the physical work undertaken on site as well as that held in the project management system. Where all parties are in agreement that the schedule is a fair representation of the works completed, a 'Payment Certificate' is issued, which outlines the amount that GSM can invoice the council.</p> <p>Where queries are raised with the progress reported on the activity schedule, discussions are held between all parties to consider. In the invoice tested, the Head of Asset Management considered that the schedule included some works that were yet to be fully completed and as a result, it was agreed that the cumulative value to date of the works completed was to be reduced for the month of September. Once agreed, the payment certificate was issued, and GSM issued the invoice for the correct value. This has since been paid. It is therefore considered that effective controls are in place regarding the payment of invoices for the project.</p>	<p>None required.</p>

Audit: S106- Accuracy of Data on Exacom 2023/24

Introduction:

A section 106 agreement is an agreement under the Town and Country Planning Act 1990, between a developer and a local planning authority that sets out the measures that the developer must take to reduce their impact on the community. A S106 agreement is designed to make a development possible that would otherwise not be possible, by obtaining concessions and contributions from the developer.

The audit will provide independent assurance that Section 106 information held on Exacom, the system used for the administration of S106 agreements, is accurate.

Note: the scope of this audit was limited to reviewing the accuracy of the S106 data held on Exacom and therefore did not review the complete S106 process.

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
<p>Operational</p> <p>OP1: Management and other stakeholder information relating to S106 agreements may be inaccurate and/or unreliable.</p>	<p>No assurance</p>	<p>Exacom is the council's dedicated system for managing Community Infrastructure Levy (CIL) and Section 106 Agreements (S106). The scope of this audit was to confirm that the data held on Exacom, in relation to S106 agreements, is accurate.</p> <p>Planning applications are initially entered onto Uniform, a system used by the council to manage development services. Where a S106 obligation is identified as being applicable, this is formalised into a legal document (deed). These are sent to the Support Services Team, who input the deed onto Uniform against the relevant planning application. At this point, a box must be 'ticked' within Uniform to facilitate the transfer of the S106 record across to Exacom.</p> <p>The audit established that is not necessary for a 'tick' to be placed in this box. Any character placed in the box will transfer the record across to Exacom. For example, a 'No', 'N/A' or 'N' would be a positive indication to the system that a S106 applies. This may explain some discrepancies detailed later in the audit report, where applications on Exacom were found not to have a related S106 agreement [R1].</p> <p>It was also noted during the audit that a number of S106 agreements have been entered onto Exacom by other means, as follows:</p> <ul style="list-style-type: none"> • IDOX, the company that supplies Uniform, undertook a bulk transfer from Uniform to Exacom. During the audit, assurance was unable to be attained as to when this took place, although it is likely to have been when Exacom was first introduced at the council, some three years ago. • The council's previous S106 Officer manually input S106 agreements onto Exacom. As above, the audit was unable to ascertain when this took place. <p>Evidence could not be obtained that, following these data transfers, a reconciliation between</p>	<p><u>Recommendation 1</u></p> <p><i><u>Recommendation priority:</u></i> High</p> <p><i><u>Recommendation Details:</u></i> Appropriate Uniform training to support the monitoring of S106 agreements should be provided to relevant staff. This should include:</p> <ul style="list-style-type: none"> • Reporting functionality- to ensure that this is used to its full potential, and to enable reconciliations to be undertaken between legal deeds, Uniform and Exacom. • Awareness that placing any character in the 'S106 box' will transfer the application details to Exacom. Likewise, if not ticked, the agreement

		<p>the two systems took place. Therefore, there is currently no assurance that S106 information held on Uniform is accurately reflected on Exacom. [R2]</p> <p>As part of the audit testing, two reports were reviewed and compared. The first report detailed all S106 agreements held on Uniform and the second report detailed all S106 agreements held on Exacom.</p> <p>As at the time of the audit, the report from Uniform contained 67 entries, representing 67 individual S106 agreements. Whilst the report from Exacom contained 223 entries, representing 125 individual S106 agreements (the reason that there are more entries than agreements is that in some cases, deeds of variation and supplemental deeds are included as separate entries). A comparison of this data identified only 25 agreements which appeared on both systems.</p> <p>Given the scale of the variations between the two systems, and in order to seek clarification that the data extracted was accurate, the reports were reperformed. This resulted in the subsequent Uniform report containing 271 entries, representing 271 agreements. A further comparison against the Exacom report identified 117 entries with appeared on both systems.</p> <p>Based upon the audit findings, the accuracy and completeness of the Uniform reports cannot be confirmed. As a result, no assurance can be given as to the accuracy of the data held in relation to S106 agreements. It is considered that an unfamiliarity with the functionality of Uniform limits the ability to produce accurate and complete reports, to facilitate comparisons between Exacom as well as to confirm that all S106 agreements are held on Uniform itself.</p> <p>Of the agreements that were found to be recorded on both Uniform and Exacom, a sample of 10 were reviewed. This confirmed that in all cases the deeds held were the same.</p> <p>The audit also confirmed that information relating to S106 agreements is reported to Executive Committee on an annual basis via the Annual Infrastructure Funding Statement. The data used to inform this statement is not drawn from Exacom, instead, income and expenditure data is obtained from Finance and information in respect of obligations entered into during the reported year is manually produced.</p> <p>Whilst this represents the most accurate and complete information available, it should be noted that this may not contain all S106 information, as assurance cannot be given that all S106 agreements have been identified, and all obligations recognised and collected [R3].</p>	<p>will not appear on Exacom.</p> <p><u>Implementation date:</u> May 2024</p> <p><u>Responsible Officer:</u> Associate Director of Planning</p> <p><u>Recommendation 2</u></p> <p><u>Recommendation priority:</u> High</p> <p><u>Recommendation Details:</u> A full reconciliation between the S106 legal deeds, the Uniform system and the Exacom system should take place.</p> <p>Moving forward, procedures should be put in place to ensure that if a transfer of S106 information is made other than by an interface between Uniform and Exacom, a full reconciliation should be undertaken directly after, between the two systems, to confirm accuracy.</p> <p><u>Implementation date:</u> March 2024</p> <p><u>Responsible Officer:</u> Associate Director of Planning</p> <p><u>Recommendation 3</u></p>
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<p>Economic and Financial</p> <p>EF1: The absence of robust procedures and controls.</p>	<p>Limited assurance</p>	<p>Contributions due under S106 agreements are manually input by the S106 Officer, who checks them to the deeds to confirm their accuracy. This value is checked again when a demand notice is issued.</p> <p>During the audit a sample of 30 individual obligations were reviewed. This confirmed that values had been correctly recorded on Exacom, contributions had been received in the correct sum, in a timely manner and were applied to the correct development.</p> <p>The S106 Officer regularly monitors income received and expenditure made in relation to S106 by using information provided by Finance. They use this information to check that values have been allocated fully and accurately to the correct development on Exacom and the audit confirmed that this process is undertaken in a regular and timely manner.</p> <p>Whilst the audit confirmed that there a procedure notes in place covering the operation and functions of the Exacom system itself; ownership and responsibility for the management of S106 agreements from the beginning to the end of the process is not clear. There are no procedure notes setting out roles and responsibilities. The findings of this audit, as well as the S106 corporate improvement work carried out during the quarter, supports the need for these to be in place [R4].</p>	<p><u>Recommendation 4</u></p> <p><u>Recommendation priority:</u> High</p> <p><u>Recommendation Details:</u> Procedure notes should be drawn up, for both Uniform and Exacom which set out:</p> <ul style="list-style-type: none"> • Roles and responsibilities. • Procedures to be followed. • Reconciling the two systems <p><u>Implementation date:</u> March 2024</p> <p><u>Responsible Officer:</u> Associate Director of Planning</p>

S106 Corporate Improvement

Summary

A review of the S106 process and procedures was undertaken to confirm robust controls were in place for the production of a section 106 agreement and the allocation of expenditure against funds received. The work undertaken found that the process relied on the expertise and knowledge of the planning officers reviewing the application, and it was suggested that procedure notes and Supplementary Planning Guidance would support a more transparent and consistent approach when making decisions.

A small number of payments had been made against s106 funds in 2023/24, and a review of one of these payments found that the money had been misallocated. A further review of the process for allocating s106 invoices against the appropriate funds made suggested a number of improvements, including the allocation of unique scheme references being generated by the planning systems, as opposed to being created by the Finance Team.

An action plan has been created and work on implementing improvements is underway.

Recommendations Rating

Priority:	Definition:
1 High	A fundamental weakness in the system that puts the Authority at risk. This might include non-compliance with legislation or council policy, or may result in major risk of loss or damage to council assets, information or reputation. Requires action as a matter of urgency; to be addressed within a 3-6 month timeframe wherever possible or within an extended time frame as agreed with Internal Audit if the recommendation requires extensive resources or time.
2 Medium	Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate action. Legislation or policy are unlikely to be breached as a consequence of these issues, although could cause limited loss of assets, information or adverse publicity or embarrassment. Internal audit suggest improvement to system design to minimise risk and/or improve efficiency of service. To be resolved within a 6-9 month timescale.
3 Low	Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control. A desirable improvement to the system, to be introduced within a 9-12 month period.

Level of control

Level of control:	Definition:	Guidance:
Substantial	Substantial assurance- 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.	No audit recommendations or no more than 3 low priority (3) recommendations.
Reasonable	Reasonable assurance- There is 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.	No more than 2 medium priority (2) recommendations, possibly with some low (3) recommendations.
Limited	Limited assurance- 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.	Between 1 and 3 high priority (1) and possibly several other priority recommendations OR 3 or more medium (2) recommendations.
No Assurance	No Assurance- 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.	4 or more Priority 1s OR 6 or more medium priority (2) recommendations.