



**Internal Audit Progress Report as of 29 February 2024**

**Jan Balfour – Internal Audit Manager**

## 1.0 Introduction

Internal Audit is a statutory function for all local authorities.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 as to:

“Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.”

The standards for “proper practices” are laid down in the Public Sector Internal Audit Standards (PSIAS) (the standards – updated 2016).

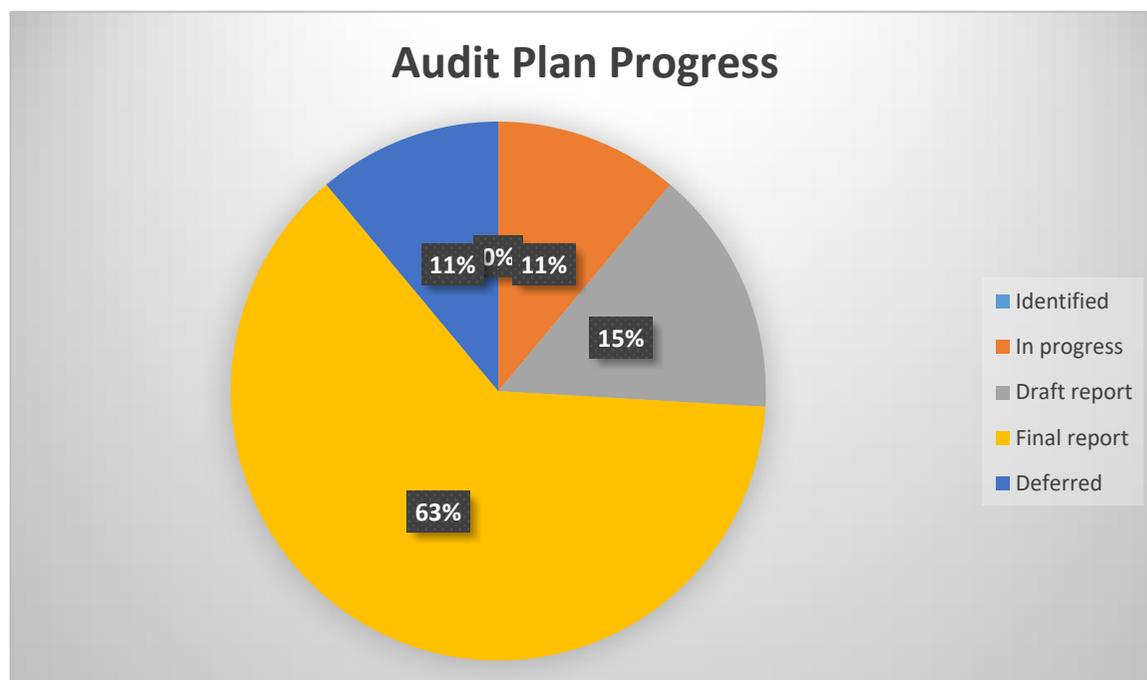
Internal Auditing is an independent, objective and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

This report includes the status against the 2023/24 internal audit plan.

## 2.0 Audit Plan 2023/24 Progress as at 29 February 2023

There are 25 full audits and 2 follow up reviews totalling 27 reviews in the 2023/24 Audit Plan. These include the “core” financial audits which are compulsory and take place on an annual basis, cross cutting/corporate audits, and service specific reviews. Also included are 2 audits commissioned by the S151 Officer. 2 reserve audits, which were to be undertaken if capacity allowed have not been included.

To date 17 (63%) have been completed, 4 (15%) are at draft report stage and 3 (11%) are in progress.



Audit Plan 2023/24 Summary:

	<b>Audit Assignment:</b>	<b>Planned Days:</b>	<b>Progress as at 29/02/24:</b>
	<b>CORE AUDITS</b>		
1.	Accounting	10	Draft Report Stage
2.	Treasury Management	8	Complete. See Section 8 below.
3.	Benefits	11	Complete. See Section 8 below.
4.	Revenues System	10	Complete. Reported to September Audit Committee.
5.	Income Collection	10	Draft Report Stage
6.	Council Tax and NDR	15	Complete. See Section 8 below.
7.	Creditors	10	Draft Report Stage
8.	Debtors	10	Draft Report Stage
9.	Payroll	15	In progress
10.	Follow up 1	7	Complete. Reported to June Audit Committee
11.	Follow up 2	7	Complete. Reported to December Audit Committee.
	<b>CORPORATE/CROSS SERVICE AUDITS</b>		
12.	Procurement > £100k	10	Complete. Reported to September Audit Committee.
13.	Valley Housing	10	Complete. Reported to December Audit Committee.
14.	Chantry Centre	10	In progress
15.	Kier Contract	5	In progress
16.	Corporate Governance	8	Complete. No report. See Annual Governance Statement item.
17.	Risk Management	10	Deferred to 2024/25 Annual Audit Plan
18.	Grants	10	Deferred to 2014/25 Annual Audit Plan
19.	Floats & End of Year	5	Complete. Reported to September Audit Committee.
20.	IT Virtualisation (VMWare)	10	Complete. Reported to December Audit Committee.
21.	Mobile Devices	10	Complete. Reported to December Audit Committee.
	<b>Audit Assignment:</b>	<b>Planned Days:</b>	<b>Progress as at 29/02/24:</b>

	SERVICE AUDITS		
	Building Maintenance	0	Reserve audit. Not undertaken. Included in 2024/25 Annual Audit Plan under "Procurement"
	Food Safety	0	Reserve audit. Not undertaken. Included in 2024/25 Annual Audit Plan
22.	Fuel Usage	8	Complete. Reported to December Audit Committee.
23.	CIL/S106	10	Complete. See Section 8 below.
24.	Events and Public Hall Bookings	8	Complete. Reported to September Audit Committee.
25.	Portway Business Park	10	Deferred to 2024/25 Annual Audit Plan
26.	Housing Support Grants (S151)	15	Complete. Reported to December Audit Committee.
27.	Community Grants (S151)		Complete. Reported to December Audit Committee.

### 3.0 Ongoing Activities

Internal Audit has provided advice and assurance in the following areas:

Adhoc advice and assurance.

National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office.

Audit Planning and consultation.

Oversight of Corporate Risk Management and fundamental review of the way the Corporate Risk Register is presented and updated.

Work is underway to develop and promote Fraud Awareness and carry out a risk assessment of the Council's Anti-Fraud and Corruption processes and procedures.

Project Assurance role on 6 projects including:

- Andover and Romsey Town Centre Redevelopment
- Elections system
- Waste Strategy (Environment Act)
- Bourne House Decarbonisation
- Internal Review
- Replacement BACS system

#### **4.0 CONTINGENCIES**

1 special investigation has been concluded.

2 pieces of work have been undertaken under provision of requests from the S151 Officer, these include a probity review of Community Grants and post assurance review of Housing Support Grants issued.

#### **5.0 AUDIT PLAN CHANGES**

Due to a reduction in staff resource availability during the year (Senior Auditor vacancy) 2 audits have been deferred to the 2024/25 Audit Plan. These include Risk Management and Grants. This will also enable revisions to the risk management arrangements to become fully embedded and specific grants have been reviewed on a probity basis elsewhere in the 2023/24 plan.

An additional 20 days has been added to the 2023/24 Audit Plan to provide project assurance support to the Regeneration programme as agreed at the September Audit Committee.

## 6.0 Assurance Level/Opinion

Internal Audit Reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

<b>Assurance Level/Opinion:</b>	<b>Description:</b>
Full	There is a sound system of control designed to achieve the system objectives.
Substantial	While basically there is a sound system there are weaknesses which put some of the control objectives at risk.
Limited	Weaknesses in the system of controls are such as to put the system objectives at risk.
No	Control is generally weak leaving the system open to significant error or abuse.

The **opinion** is formed with reference to the Councils Corporate risk matrix. Each control weakness identified during an audit review is scored according to this matrix. Where \* shown this opinion is qualified when selected.

**Likelihood**

A Very High	Substantial or Limited*	Limited	No Assurance	No Assurance
B High	Substantial	Limited*	Limited Or No Assurance*	No Assurance
C Significant	Substantial	Substantial or Limited*	Limited	Limited Or No Assurance*
D Moderate	Substantial or Full*	Substantial	Substantial or Limited*	Limited
E Low	Full	Substantial or Full*	Substantial*	Limited
F Very Low	Full	Full	Substantial	Substantial or Limited*
	IV Negligible	III Significant	II Critical	I Catastrophic

**Impact**

## 7.0 Control Weakness – Risk Ranking

Priority Level:	Description:
High	Major issues for the attention of Senior Management. Action needs to be taken within a reasonable timescale to address significant control weaknesses and to ensure that the controls can be relied upon for the effective performance of the Service or function.
Medium	Issues for middle management action. These include control weaknesses that may expose the system function or process to a key risk but the likelihood of it occurring is significant rather than high.
Low	Minor matters. Low risk exceptions or improvements which help to improve service effectiveness and efficiency.

## 8.0 Executive Summaries

The following summaries relate to Audits from the 2023/24 Audit Plan not previously reported to the Audit Committee.

1.

Control Weaknesses Identified:		
High	Medium	Low
0	2	2

**Treasury Management  
2023/24**

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 31/03/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> <li>Loans are administered in accordance with Council Policy and Procedures.</li> <li>Documentary evidence and records/accounts are maintained to support the transfer of funds and are securely held.</li> <li>Investments are placed with reputable firms and are regularly monitored and reported. Procedures for the use of investment brokers are sound.</li> <li>Investments are calculated and valued appropriately. Payments are for the correct amounts and properly transferred. Interest is correctly calculated.</li> <li>Adequate segregation of duties is in place, loans are appropriately authorised and periodically reconciled with an independent source.</li> <li>Procedures for the management of the Authority's cash flow are adequate and working effectively.</li> <li>Compliance with the latest code of practice from CIPFA on Treasury Management.</li> </ul>	<ul style="list-style-type: none"> <li>Treasury Management Practice Note - TMP10 (Training requirement for members) has not been updated following the introduction of COP2021 in April 2023. Training has not been provided to Members tasked with treasury management responsibilities including those responsible for scrutiny.</li> <li>The Treasury Management Practices document remains in "draft" format.</li> <li>Spread sheet headings and titles do not in all cases reflect the date of the latest Investment position.</li> <li>One control account reconciliation had not been maintained in 2023-24. Although not part of the Investment Portfolio this is a record of Rental Deposits which requires monitoring.</li> <li>Reconciliations between the loans register (PWLB) and the general ledger are not performed.</li> </ul>	<ul style="list-style-type: none"> <li>Improved Member awareness of their responsibilities regarding treasury management.</li> <li>Rental deposits are effectively monitored.</li> <li>Any irregularities or inaccuracies in loan transactions are detected and investigated.</li> <li>Clear and accurate record keeping maintained.</li> </ul>

2.

Control Weaknesses Identified:		
High	Medium	Low
0	1	1

**Housing Benefit and Council Tax Support 2023/24**

Overall Assurance Opinion:
Substantial Assurance
Limited Assurance – <i>in respect of previous actions around the monitoring of overpayments and Debt Recovery action.</i>
Agreed action is scheduled to be implemented by 30/04/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> <li>• Dealing with Customers</li> <li>• Registration and Assessment of claims</li> <li>• Payments</li> <li>• Overpayments and Recovery</li> <li>• Refunds</li> <li>• Write-offs</li> </ul>	<ul style="list-style-type: none"> <li>• Performance is not meeting current targets in respect of call answering and speed of processing claims and change of circumstances.</li> <li>• The reconciliation for Housing Benefit and Council Tax Support payments on the NEC system to the General Ledger (Cashbook) had not been countersigned (10/11/23).</li> </ul>	<ul style="list-style-type: none"> <li>• Targets are more realistic based on capacity and DWP requirements.</li> <li>• Any irregularities/inaccuracies are promptly identified and investigated.</li> </ul>

3.

Control Weaknesses Identified:		
High	Medium	Low
0	4	0

**Council Tax and Non-Domestic Rates**

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 31/03/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> <li>Valuation</li> <li>Discounts, exemptions, and reliefs</li> <li>Suppression of bills</li> <li>Annual and ad hoc billing arrangements</li> <li>Income collection</li> <li>Refunds</li> <li>Recovery</li> <li>Write-offs</li> </ul>	<ul style="list-style-type: none"> <li>For suppressed accounts, 1 Ctax account out of 10 tested had no recorded reason for suppression.</li> <li>Write-offs are adjusted if payments are subsequently received. There is no clear audit trail from the record of adjustment to the original write-off form to evidence the accuracy of the adjustment.</li> <li>An annual review of CTax and NDR discounts, relief and exemptions has not been undertaken and no timetable for the year 23/24 established.</li> <li>The suspense accounts for CTax and NDR are not comprehensively reviewed on a regular basis by the Systems Team. Transactions relating to previous years are not investigated after that year has ended (unless the Revenues Team are contacted and informed about the payment).</li> </ul>	<ul style="list-style-type: none"> <li>Authorisation of suppressed accounts is evidenced.</li> <li>Amounts written-off are accurately recorded.</li> <li>Void property relief, discounts and exemptions are legitimately claimed.</li> <li>Suspense accounts are fully and regularly reviewed.</li> </ul>

4.

Control Weaknesses Identified:		
High	Medium	Low
0	4	0

**Community Infrastructure Levy  
and S106 Contributions  
2023/24**

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 30/06/24.

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> <li>• Central recording and monitoring of agreements and financial obligations and contributions.</li> <li>• Expenditure - use of S106/CIL funds including schemes delivered by third parties.</li> <li>• Reconciliation of the Planning &amp; Building records (including Exacom) to the Efin system.</li> <li>• Annual reporting – Infrastructure Funding Statement.</li> </ul>	<ul style="list-style-type: none"> <li>• Outstanding S106 contributions payments are not followed up pending establishment of a Compliance Officer post. Contributions are triggered on commencement or occupation which cannot be confirmed without site visits and/or engagement with building control records.</li> <li>• Evidence of expenditure (invoice and photos) in respect of contributions to Parish Councils is requested but is not robustly followed up if not received.</li> <li>• A full reconciliation of historic (prior financial years) S106 balances is not undertaken between the Planning &amp; Building Payments received spreadsheet and the E-Financial system/Accountancy records on a regular/routine basis.</li> <li>• There is no routine monitoring/reconciliation of S106 contributions received balances to ensure potential projects can be identified and initiated within any prescribed time limits for allocation.</li> </ul>	<ul style="list-style-type: none"> <li>• S106 contributions are promptly received upon the trigger being reached.</li> <li>• Funds are confirmed as used for the purpose set out in the terms of the S106 agreement.</li> <li>• Planning and Finance records relating to S106 balances agree and any discrepancies promptly investigated.</li> <li>• Projects are allocated within any prescribed timescale within the S106 agreement.</li> </ul>

## 9.0 Control Weaknesses

Of the 4 audits completed, where an opinion has been given 30 exceptions have been raised:

Risk:	No. of exceptions (actions):
High	0
Medium	11
Low	3