



Internal Audit Progress Report at 31st May 2024

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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).

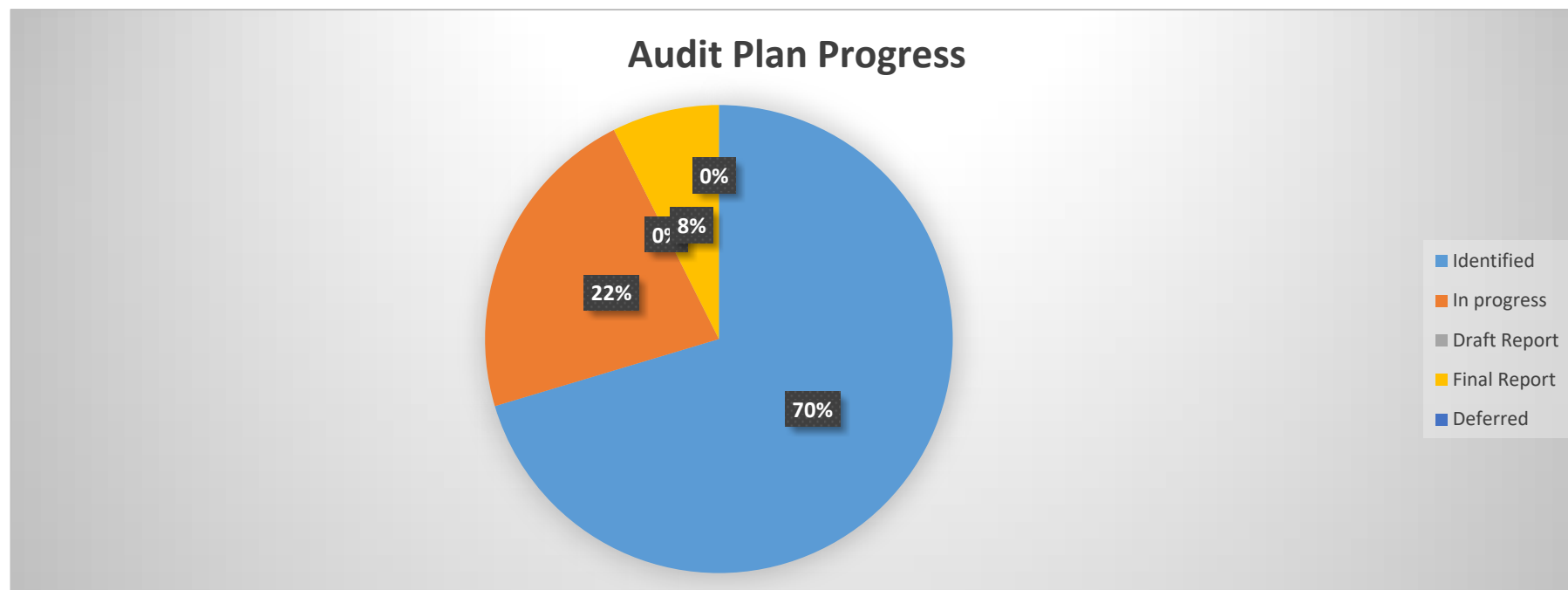
Internal Auditing is an independent, objective and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control,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

This report includes the status against the 2024/25 internal audit plan.

2.0 AUDIT PLAN 2024/25 PROGRESS AS AT 31st MAY 2024

There are 25 full audits and 2 follow up reviews totalling 27 reviews in the 2024/25 Audit Plan. These include the “core” financial systems, cross cutting/corporate audits, and service specific reviews.

To date 2 (8%) have been completed including 1 follow up review, 0 (0%) are at draft report stage, 6 (22%) are in progress and 19 (70%) are yet to be started.



3.0 ONGOING ACTIVITIES

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

Ad hoc advice and assurance.

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

Audit Committee reporting and attendance.

Audit Planning and consultation.

Risk Management and Annual Governance Statement.

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

Assurance role on corporate projects.

4.0 CONTINGENCIES

No special investigations have been undertaken to date.

No pieces of work have been carried out to date under the provision for requests from the S151 Officer.

5.0 AUDIT PLAN CHANGES

No changes are proposed to the Audit Plan since issue of the last progress report.

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.

Assurance Level/Opinion:	Description:
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.

ANNEX 2

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
	<u>Impact</u>			

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 as well as those completed to date from the 2024/25 Audit Plan. 1 completed audit reported in Section 1 above for 2024/25 relates to Follow Ups. This work is summarised in Annex 2 (the Internal Audit Annual Report).

1.

Control Weaknesses Identified:		
High	Medium	Low
0	0	0

**ACCOUNTANCY
2023/24**

Overall Assurance Opinion:
Substantial Assurance - overall

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Financial Management System access. Budgetary control including coding structure, preparation and loading of budgets and virements Journals and year end procedures Suspense Accounts Interfaces with feeder systems and the reconciliation of control accounts Bank Reconciliation 	<ul style="list-style-type: none"> There were none identified during the audit. 	

2.

Control Weaknesses Identified:		
High	Medium	Low
0	1	1

**INCOME COLLECTION
2023/24**

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 30/09/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • Arrangements for the collection of income including cash collected at the Council's offices and through payment outlets. • The safe transit and secure handling/storage of cash and processing of cheques. • The receipting and recording of income. • The prompt banking of income. • The posting of income to the correct general ledger accounts. • Income and bank reconciliation. 	<ul style="list-style-type: none"> • There was a small outstanding carried forward balance from 22/23 which was not being investigated, only the current year's balance was kept under review. • The contract term for a payment outlet had expired and the cost effectiveness of renewal not reviewed. 	<ul style="list-style-type: none"> • All income is accurately allocated. • Efficient and cost-effective payment collection methods are maintained.

3.

Control Weaknesses Identified:		
High	Medium	Low
0	1	3

**CREDITORS
2023/24**

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 30/09/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Financial Management System access (super users and Finance staff) Segregation of duties Duplicate payments monitoring BACS, cheque runs and manual cheque issues Security checks on bank account number changes Out of date cheques Performance - time to process invoices 	<ul style="list-style-type: none"> Duplicate payments reports are not run and reviewed on a regular basis. The NFI data matching exercise has also identified potential duplicate payments which are yet to be fully reviewed and closed. Access to the cheque stock in the Accountancy safe is not maintained independent of the Creditors function. Unpresented cheques are not regularly reviewed and cancelled off the system. The Key Performance Indicator of the time to process invoices has not been calculated pending a Service wide review of its Key Performance Indicators. 	<ul style="list-style-type: none"> Any duplicate payments are promptly recovered. Segregation of duties is maintained between the security of cheque stocks and processing of payments. Parity of financial accounts and bank account/monies drawn. Performance is effectively measured and any delays in processing promptly addressed.

4.

Control Weaknesses Identified:		
High	Medium	Low
0	4	0

**DEBTORS
2023/24**

Overall Assurance Opinion:
Limited Assurance
Agreed action is scheduled to be implemented by 30/09/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Procedures. Fees and charges. The provision for bad and doubtful debts. The raising and prompt despatch of Debtor accounts. Procedures for the receipt of payments and allocation of income to the correct accounts. Procedures for debt collection and write-off of debts. Debtor system access control. 	<ul style="list-style-type: none"> Reminder letters have not been generated/issued since the financial management system upgrade due to technical issues. Customer notes were not sufficiently detailed or up to date in all cases with the reason for account suppression, or the action being taken. A structured approach is not applied to debt recovery as set out in the debt recovery policy. The aged profile of outstanding debt is not reported to and monitored by management. The Key Performance Indicator for the rolling average age of debt has not been calculated since December 2023 pending a Service wide review of performance indicators. 	<ul style="list-style-type: none"> Debt recovery is timely and effective. Suppressed debts are regularly reviewed and their status updated. Management are aware of the aged debt profile and performance of debt recovery.

5.

Control Weaknesses Identified:		
High	Medium	Low
0	1	2

PAYROLL 2023/24

Overall Assurance Opinion:
Substantial Assurance
Agreed action is scheduled to be implemented by 31/05/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Starters and leavers. Additional payments. Calculation of Annual Leave. Changes to standing data pay grade, increments etc. Payroll reconciliation. Deductions and payments to third parties. Payment of salaries and posting of data to accounting records. System access and backup Overpayments 	<ul style="list-style-type: none"> In 2 cases there was no documentary evidence to support honorariums in accordance with the policy. The written procedure for reconciling the control accounts requires review. 	<ul style="list-style-type: none"> Procedures are up to date for contingency cover and succession planning. Records are retained to support authorisation of acting up arrangements.

6.

Control Weaknesses Identified:		
High	Medium	Low
0	2	3

**CHANTRY CENTRE
2023/24**

Overall Assurance Opinion:
Limited Assurance
Agreed action is scheduled to be implemented by 31/07/24

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Rental and service charge income collection. Rent reviews. Calculation and apportionment of service charges. Debt Collection and Arrears position. Security of leases. 	<ul style="list-style-type: none"> Leases were not fully completed and formalised in all cases. Public Indemnity Insurance documents were not available, or expiry checked in all cases. There was one instance where Contract Standing Orders had not been followed. This resulted in the carrying-over of an expired contract instead of the required full re-tendering. There is no documented basis for the issue of licences to ensure consistency in the selection process, qualification criteria and recharge basis. There is no structured approach for debt recovery to discuss aged debt relating to the Chantry Centre. 	<ul style="list-style-type: none"> Formalisation of the leases and licences and their completeness. Formalisation of the contract arrangements for the commercial estate management. All tenants hold appropriate and up to date insurance cover. A consistent and transparent process for lettings is maintained.

5.

Control Weaknesses Identified:		
High	Medium	Low
0	1	1

FLOATS & END OF YEAR 2024/25

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

Scope:	Control Weakness:	Control improvement upon implementation:
<p>Floats:</p> <ul style="list-style-type: none"> • Float reconciliations are carried out and evidence retained. • Guidance is in place and has been issued to float holders to ensure the proper use of Floats. • Floats to external bodies have been annually confirmed in writing. <p>End of Year:</p> <ul style="list-style-type: none"> • Confirmation of a sample of higher value stock balances held by Environmental Services including a physical check. • Review of records receipting transfer of stock to the Bourne House Depot. 	<p>Floats:</p> <ul style="list-style-type: none"> • Float holders are not reconciling their floats each month and providing this information to Accountancy. <p>End of Year:</p> <ul style="list-style-type: none"> • At one workshop physical stock checks were not routinely carried out each quarter and reconciled to stock records. 	<p>Floats:</p> <ul style="list-style-type: none"> • Discrepancies can be promptly identified and investigated. <p>End of Year:</p> <ul style="list-style-type: none"> • Stock records can be confirmed as accurate, and any discrepancies promptly identified and investigated.

9.0 CONTROL WEAKNESSES

Of the 6 2023/24 audits completed, where an opinion has been given 18 exceptions have been raised:

Risk:	No. of exceptions (actions):
High	0
Medium	9
Low	9

Of the 1 2024/25 audit completed, where an opinion has been given 2 exceptions have been raised.

Risk:	No. of exceptions (actions):
High	0
Medium	1
Low	1