

Summary of Internal Audit Reports Issued in 2015/16

1. Introduction

- 1.1 During the period, 26 audit reviews were completed to final report stage. Audit reports are issued as final where their contents have been agreed with management, in particular responsibility for actions and timescale. 8 of these audit reviews relate to work undertaken on behalf of East Cambridgeshire DC, the results of which have not been included within this report.
- 1.2 The following sections contain a summary of the content of the internal audit reports issued during the 2015/16 financial year. Each summary provides an indication of the issues arising from the reviews, as well as action taken in response to previous audit reports. The audit summaries covered by sections 2 - 7 below were previously reported to Performance and Audit Scrutiny Committee in the November 2015 half-yearly report. They are re-presented here for the sake of completeness and to enable the Service Manager (Internal Audit) to discharge his responsibility to present a full summary of the audit work which forms the basis of the annual opinion on the overall adequacy and effectiveness of both councils' control environment.
- 1.3 It should be noted that each summary below represents the situation at the point in time that the audit work was undertaken and therefore it is likely that a number of agreed key improvements will subsequently have been made.
- 1.4 In line with Chartered Institute of Public Finance and Accountancy (CIPFA) good practice guidance, opinions are provided on the operation of control mechanisms where a full audit has been undertaken for the area reviewed. A key to these opinions can be found at the end of this appendix. Where a follow-up review has been undertaken full testing of controls will not always be undertaken and therefore an opinion on the operation of controls will not normally be given.
- 1.5 Progress towards implementing the required key improvements referred to below will be reviewed by Internal Audit during 2016/17 and reported to Performance and Audit Scrutiny Committee as appropriate.

2. Choice Based Lettings

- 2.1 An audit review of the housing register (Choice Based Lettings) identified that satisfactory controls are in place for the allocation of housing and that needs are appropriately assessed. A **substantial assurance opinion** was provided, however actions have been agreed to improve the transparency of the decision-making process to strengthen this further. Also, a new software system was due to be introduced in April 2016 and suggestions were been made for

the Service to take forward with the new supplier to provide further automation, reports and functionality.

3. Contract Procedures (SEBC and FHDC) Follow Up

- 3.1 A follow up audit was completed to assess the progress of actions from previous audits undertaken. Many of the original actions have been completed through the introduction of new Contract Procedure Rules, while four actions remain as work in progress, focusing around the use of consultants, temporary staff and the continued maintenance of the Contracts Register.

4. Payment Card Industry Data Security Standards (SEBC and FHDC) Follow Up

- 4.1 A follow up of compliance against standards for outlying sites was undertaken. Arrangements for the storage and disposal of card holder data have been addressed and an e-learning training module is being created to ensure staff are aware of their responsibilities.

5. CCTV (SEBC and FHDC) Follow Up

- 5.1 This review highlighted that further progress was still required on recommendations made in the original audit regarding staff guidance and record keeping requirements relating to CCTV. Internal Audit have since assisted the Service by producing and issuing CCTV guidance notes to outlying sites ensuring staff are aware of Data Protection requirements, record keeping requirements and appropriate use of the system.

6. Elections (SEBC and FHDC) Follow Up

- 6.1 A high level review to assess the progress of agreed actions from the original audit was undertaken. As significant changes have occurred within the service it is intended that working practices will be reviewed and efficient processes introduced for the delivery of elections which will address the outstanding actions.

7. Social Media and Mobile Computing (SEBC and FHDC) Follow Up

- 7.1 A follow-up has been undertaken on the audit report issued in April 2013. The review confirmed that all recommendations in respect of mobile computing have been implemented although some further work is still required to address some fairly minor recommendations made in respect of social media.

8. Treasury Management

- 8.1 This audit review covered controls relating to the management of the council's short-term and long-term investments with approved organisations to achieve the best possible rate of return. Audit work undertaken resulted in a **substantial assurance** opinion being given.

Improvements made since the previous audit

- 8.2 Efficient and consistent arrangements exist through working practices having been aligned across both councils.

Key areas where improvements are required

- 8.3 None, only minor suggestions recommended.

9. Accounts Payable (Creditors)

- 9.1 The purpose of this audit was to review the controls around the accounts payable system which is designed to record and report on expenditure made on behalf of the councils. A **substantial assurance** opinion was provided.

Key areas where improvements are required

- 9.2 Audit testing confirmed that purchase orders are often being raised after invoices have been received. Orders should be raised in advance of goods and services being supplied - this will ensure that expenditure is appropriately committed against the relevant budget headings.
- 9.3 Suppliers of goods and services to the councils are generally paid promptly but performance could be further improved in this area. Increased awareness and use of system functionality and reporting may assist in preventing delayed or payments put 'on hold'.
- 9.4 Improvements have been recommended regarding the checking of supplier details to further strengthen fraud prevention controls.

10. Main Accounting System (General Ledger)

- 10.1 The purpose of this audit was to ensure that adequate accounting routines exist, are open and transparent so as to protect the integrity of the system, and are implemented in practice. A **substantial assurance** opinion was achieved.

Improvements made since the previous audit

- 10.2 Action has been taken to address some of the recommendations made from the previous report whilst others have been superseded as a result of this year's audit report.

Key areas where improvements are required

- 10.3 Reconciliation documentation from ARP should be reviewed by Finance promptly to ensure any variances are investigated in a timely manner.
- 10.4 Staff should be reminded to action journals promptly and ensure supporting documentation is retained.

11. Payroll

- 11.1 This audit reviewed the key controls for payroll processing including adequate documentation for starters and leavers, controls over amendments to individual payroll records, verifications to ensure that statutory deductions are correctly calculated and promptly paid to the Inland Revenue, reconciliations between the payroll system and the general ledger are correctly and promptly undertaken, and that any changes to pay and rewards have been correctly implemented. A **full assurance** opinion was given.

Key areas where improvements are required

- 11.2 None.

12. Accounts Receivable (Debtors)

- 12.1 The purpose of the audit was to review the controls around the accounts receivable system to record, collect and report on income received by the councils for chargeable services provided. A **substantial assurance** opinion was provided.

Improvements made since the previous audit

- 12.2 An officer debtors group now meets regularly involving finance and legal representatives and staff from service areas.

Key areas where improvements are required

- 12.3 It was identified that the debt recovery process could usefully be improved upon in some service areas to ensure that the recovery process is carried out on a timely basis and is effective.
- 12.4 It would be useful if evidence is scanned / linked to the finance system so as to provide a clear audit trail as to reason for invoices and credit notes being raised, and to advise of the action being taken to recover monies within service areas.

13. Council Tax

13.1 The West Suffolk Internal Audit Team undertook the Council Tax audit on behalf of four of the councils in the Anglia Revenues Partnership (St Edmundsbury BC, Forest Heath DC, East Cambridgeshire DC and Breckland Council). The audit focus was to review and test systems for the collection of Council Tax ensuring that legislation is adhered to, exemptions and reliefs are correctly administered, refunds are appropriate, debt recovery is taking place and to review the reconciliation of the Council Tax system to the general ledgers. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

13.2 Action has been taken to address some of the recommendations made from the previous report, whilst others have been superseded as a result of this year's audit report or remain work in progress.

Key areas where improvements are required

13.3 Recommendations were made to further improve controls for council tax processes, including reconciliations, suspense account, parameter banding, and processing of credit balances, but none of these were deemed to be high risk findings / recommendations.

14. Non Domestic Rates (NDR)

14.1 Similar to the council tax audit review, this year's review of NDR was undertaken by the West Suffolk Internal Audit Team on behalf of four of the councils working together as the Anglia Revenues Partnership.

14.2 The audit was undertaken to provide assurance on the controls in place within the NDR System, for managing NDR collection from commercial properties within West Suffolk. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

14.3 Improvements were observed in the general administration of NDR and alignment of processes across the partnership.

14.4 Early indications are that as a percentage of referred debt, collection achieved by the ARP Enforcement Team exceeds that of the previous external bailiffs.

Key areas where improvements are required

14.5 Suggestions were made to improve the verification of empty property status and to ensure a transparent decision-making process is in place for the awarding of discounts and exemptions.

Actions were also suggested for the steps taken which result in monies being written off.

15. Housing and Council Tax Benefits Review

- 15.1 Similar to Council Tax and NDR the West Suffolk Internal Audit Team undertook the audit on behalf of four of the ARP councils. The audit focus was to review and test systems for the administration and payment of housing benefit and council tax reduction, to ensure that legislation is adhered to, adequate arrangements are in place for the recovery of overpayments and the controls accounts are regularly reviewed. The system achieved a **substantial assurance** opinion for the period under audit.

Improvements made since the previous audit

- 15.2 Whilst no significant areas for improvement were reported in 2014/15, recommendations were made to further improve processes and controls which have since been actioned.

Key areas where improvements are required

- 15.3 Suggestions were made to further improve data quality and accuracy.

16. Car Parks Cash Handling Review

- 16.1 A number of car parks are operated across West Suffolk with significant amounts of income collected during the course of a year. The audit focus was to review the controls surrounding cash collection, retention and banking. Systems were reviewed to ensure that income due to or held by the councils is accurately recorded and that income is receipted and banked correctly and promptly. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

- 16.2 For the majority, improvement has taken place on actions reported previously.

Key areas where improvements are required

- 16.3 A number of suggestions around income collection, recording and reconciliation have been made, including the need for clear management trails, increased monitoring of income levels and having a separation of duties in place to reduce the reliance on one individual being involved in a process from start to finish.

- 16.4 It would be useful if a review of cash security collections took place to ensure that the councils are receiving a competitive service from their providers.

17. Apex Cash Handling

- 17.1 An audit was undertaken to review and test systems for the receipt of cash income for the Apex and Bury Festival. An opinion of ***substantial assurance*** was given.

Key areas where improvements are required

- 17.2 Suggestions were made to improve staff guidance for the handling of monies, including the use of e-learning training modules.
- 17.3 Controls relating to the sale of merchandise could be strengthened.

18. Homelessness

- 18.1 This is the first homelessness audit review for a number of years and was carried out to provide assurance that controls exist for the placement of homeless people, including the verification of needs, the application process, use of appropriate accommodation, and costs are kept to a minimum. A ***substantial assurance*** opinion was given.

Key areas where improvements are required

- 18.2 Staff should be reminded of the need for information on the system to be complete with consistent practices in place across the teams.
- 18.3 Timeliness around the payment process is an area that could be improved upon (i.e. raising of purchase orders and goods receipting).

19. Markets

19.1 A piece of work was carried out to support, complement, and improve the current markets cash handling process. Feedback has been provided by the audit team but no opinion given due to the consultancy nature of the work carried out.

Key areas where improvements are required

19.2 A number of inconsistencies were identified where processes are performed differently depending on the site;

19.3 There are areas where processes could be developed to achieve greater efficiency and / or streamlining;

19.4 Opportunities exist for improving paperwork including reconciliation of market income.

20. Meaning of words used

Full Assurance	The full assurance opinion is given where no significant or fundamental recommendations have been made and where controls within the system should provide full assurance that the risks material to the achievement of the system objectives are adequately managed.
Substantial Assurance	The substantial assurance opinion is given where a number of significant, but no fundamental recommendations have been made and where controls within the system should provide substantial assurance that the risks material to the achievement of the system objectives are adequately managed.
Limited Assurance	The limited assurance opinion is given where a number of fundamental and also a number of significant recommendations have been made and where controls within the system provide limited assurance that the risks material to the achievement of the system objectives are adequately managed.
No Assurance	The no assurance opinion is given where little or no assurance could be gained from a system where a large number of both fundamental and significant recommendations were proposed and where controls within the system provide little or no assurance that the risks material to the achievement of the system objectives are adequately managed.