

Summary of Internal Audit Reports Issued in 2016/17

1. Introduction

- 1.1 During the period, 16 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. 6 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 2016/17 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 where appropriate.
- 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 2017/18 and reported to Performance and Audit Scrutiny Committee as appropriate.

2. Treasury Management

- 2.1 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

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

Key areas where improvements are required

- 2.3 None, only minor suggestions recommended.

3. Accounts Payable (Creditors)

- 3.1 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.

Improvements made since the previous audit

- 3.2 Fraud prevention procedures have been strengthened by further improving checks made where notification is received of changes to supplier bank details.

Key areas where improvements are required

- 3.3 As reported previously, the purchase requisition process is still not embedded within service area procurements, with requisitions being raised after the order has been placed or the goods / services 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.
- 3.4 Suppliers of goods and services to the councils are generally paid within 30 days but performance could be further improved in this area.
- 3.5 The review included an assessment of compliance with Contract Procedure Rules and concluded that there could be improvement in this area.

4. Main Accounting System (General Ledger)

- 4.1 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

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been taken to address some of the recommendations made from the previous report whilst other recommendations have been superseded as a result of this year's audit report.

Key areas where improvements are required

- 4.3 Reconciliation documentation from ARP should be reviewed by Finance promptly to ensure any variances are investigated in a timely manner.

- 4.4 Staff should be reminded to action journals promptly and ensure supporting documentation is retained.

5. Payroll

- 5.1 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

- 5.2 None.

6. Accounts Receivable (Debtors)

- 6.1 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 given.

Key areas where improvements are required

- 6.2 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.

7. Council Tax

- 7.1 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 ensure that adequate reconciliations of the Council Tax system to the general ledgers are undertaken. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

- 7.2 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

- 7.3 Recommendations were made to further improve controls for council tax processes, including overpayments, approval of write offs, monitoring of credit balances, quality assurance, control account reconciliations and checking of annual parameter bandings.

8. Non Domestic Rates (NDR)

- 8.1 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.
- 8.2 The audit was undertaken to provide assurance on the controls in place within the NNDR System, including the collection of NNDR from commercial properties, legislation is adhered to, exemptions and reliefs are correctly administered and refunds are appropriate. The audit also included reviewing arrangements for debt recovery by ARP Enforcement (ARPE) for NNDR and Council Tax. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

- 8.3 Improvements were observed in the reporting methods for Empty Property inspections.
- 8.4 The Electronic Data Management System (EDMS) project is currently in progress and will improve and force processes, reduce the risk of human error and ensure tasks are fully complete.

Key areas where improvements are required

- 8.5 Corrective action has been recommended to improve the administration of Reliefs, Discounts and Exemptions, the Reminder and Debt Recovery Process and timely updating of the Valuation Office amendments.

9. Housing and Council Tax Benefits Review

- 9.1 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 and the control accounts are regularly reviewed. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

- 9.2 Whilst no significant areas requiring improvement were reported in 2015/16, recommendations were made to further improve processes and controls which have since been actioned.

Key areas where improvements are required

- 9.3 The housing benefit team generally works to a high standard and processes are working well, however, suggestions were made to improve data entry quality and accuracy even further.

10. Car Parks Cash Handling Review

- 10.1 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

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

Key areas where improvements are required

- 10.3 A number of suggestions were made to improve practices around the collection and banking of car parking income, including the need for the cash receipting system to be updated daily to ensure that records are up to date.
- 10.4 A review of cash security collections is needed to ensure that the councils are receiving a competitive service from their providers.

11. Apex – Merchandise Review

11.1 This piece of work focused on reviewing controls over the sale of merchandise to ensure that cash floats, income, stocks, and any commission received are properly recorded and controlled.

Key areas where improvements are required

11.2 Whilst reasonable controls are in place, suggestions were made for management to consider implementing for good practice, to include improved recording of stock and commission income.

12. Meaning of words used

Full Assurance	The full assurance opinion is given where no significant or fundamental recommendations have been made. Controls within the system 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 small number of significant, and no fundamental, recommendations have been made. Controls within the system 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 small number of fundamental, and also a number of significant, recommendations have been made. 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 fundamental and significant recommendations were proposed. Controls within the system provide little or no assurance that the risks material to the achievement of the system objectives are adequately managed.