

Summary of Internal Audit Reports Issued in 2017/18

1. Introduction

- 1.1 During the period, 21 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.
- 1.2 The following sections contain a summary of the content of the internal audit reports issued during the 2017/18 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 2018/19 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 councils' short-term and long-term investments with approved organisations to achieve the best possible rate of return. Audit work undertaken resulted in a **good 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. No recommendations were raised in the previous audit.

Key areas where improvements are required

- 2.3 None.

3. 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 **reasonable assurance** opinion was provided.

Improvements made since the previous audit

- 3.2 An improvement is apparent in the number of invoices paid within 30 days when comparing the monthly average for the same period previously. Of the six recommendations made in the previous year's audit report, two actions had been fully completed while the other four recommendations were superseded by related recommendations raised in the 2017/18 audit report.

Key areas where improvements are required

- 3.3 This review has concluded that creditor system controls generally work as expected, however findings have been raised in respect of supplier information, raising orders and paying invoices.

4. General Ledger

- 4.1 In previous years the general ledger control environment has been considered strong with robust key controls in place to ensure the accuracy and legitimacy of transactions. As a result, a reduced scope audit review was carried out for 2017/18 following up actions from the 2016/17 audit review (journals and control account reconciliations) and examining bank reconciliations. A **good assurance** opinion was achieved.

Improvements made since the previous audit

- 4.2 Improvements have been made regarding the inclusion of sufficient information on the general ledger system to enable authorisers to satisfy themselves that journal transactions are appropriate and correct. Of the three recommendations made in the previous year's report, one recommendation has been completed whilst the other two recommendations have been superseded as a result of this year's audit report.

Key areas where improvements are required

- 4.3 None, only minor suggestion made.

5. Payroll

- 5.1 In previous years the control environment has been considered strong with robust key controls in place to ensure the accuracy and legitimacy of payroll transactions. As a result, a reduced scope payroll audit review was carried out for 2017/18 focusing on examining only a small sample of starters / leavers and validation reports. A **reasonable assurance** opinion was given.

Improvements made since the previous audit

No recommendations were raised in the previous year's audit report

Key areas where improvements are required

- 5.2 A minor change of wording on an authorisation e-mail is required to provide evidence of the checking / oversight that takes place for the payroll validation reports.

6. 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 **good assurance** opinion was achieved.

Improvements made since the previous audit

Action has been taken to address the five recommendations raised in the previous year's audit report, including resolution of the difference on the debtors control account reconciliation.

Key areas where improvements are required

- 6.2 None, only minor suggestion made.

7. Council Tax

- 7.1 The West Suffolk Internal Audit Team undertook the council tax audit on behalf of the seven councils in the Anglia Revenues Partnership. 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 **reasonable assurance** was given.

Improvements made since the previous audit

- 7.2 Improvements made include an aligned write off process and policy is now in place across the partnership. Of the thirteen recommendations raised in the previous year's audit report three recommendations have been implemented, nine actions have been superseded by recommendations in the 2017/18 review, and one recommendation remains as work in progress.

Key areas where improvements are required

- 7.3 The process for identifying, reviewing and taking corrective action for accounts in credit requires reviewing.
- 7.4 System user permissions require reviewing across the partnership.

8. Non Domestic Rates (NDR)

- 8.1 This year the review of NDR was undertaken by the East Suffolk Internal Audit Team on behalf of the seven 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 over the collection of NNDR from commercial properties, adherence to legislation, correct administration of exemptions and reliefs, and appropriateness of refunds. An opinion of **reasonable assurance** was given.

Improvements made since the previous audit

- 8.3 Improvements made included more robust arrangements now being in place to ensure that any future local or manually applied reoccupation reliefs are correctly managed and appropriately ended. Of the fifteen recommendations raised in the previous year's audit report seven recommendations have been implemented, four recommendations have been superseded by findings raised in the 2017/18 review and four recommendations remain as work in progress.

Key areas where improvements are required

- 8.4 Improvements to be made in the actioning and checking of the valuation office schedules.
- 8.5 Improvements could be made to the empty property inspection regime.
- 8.6 Evidence should be retained to confirm all exemptions, discounts and reliefs awarded.
- 8.7 Debt monitoring reports to be re-introduced.

8.8 System user permissions require reviewing across the partnership.

9. Housing and Council Tax Benefits Review

9.1 Similar to council tax the West Suffolk Internal Audit Team undertook the audit on behalf of the seven 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 ***reasonable assurance*** was given.

Improvements made since the previous audit

9.2 Improvements made included better management trails for control account reconciliations. Of the eight recommendations raised in the previous year's audit report seven recommendations have been implemented and one recommendation has been superseded.

Key areas where improvements are required

9.3 Some errors were identified when testing claimant data which occurred through human error; the accounts were rectified during audit testing which resulted in some minor award amendments. Reminders and training are provided to assist in preventing this and additional checks on earnings have been introduced within the housing benefit team;

9.4 Two high risk claims were put into payment prior to the receipt of supporting information being received. Whilst a process map is in place to prevent this, it appears not to have been followed.

9.5 System user permissions require reviewing across the partnership.

10. Overpayments

10.1 Similar to both the council tax and housing and council tax benefits reviews the West Suffolk Internal Audit Team undertook the audit on behalf of the seven ARP councils. The audit focus was to review and test the design and operation of controls in the following areas: classification of overpayments, recovery of overpayments, control account reconciliations, collection of payments, write offs, and system access. An opinion of ***reasonable assurance*** was given.

Improvements made since the previous audit

10.2 Improvements made included more robust processes regarding alerting changes of address to the Overpayments team to ensure the recovery process is not unnecessarily delayed. Of the six recommendations raised in the previous year's audit report four have been implemented and two have been superseded.

Key areas where improvements are required

- 10.3 Regular review of overpayment account debt recovery stages should be introduced.
- 10.4 Process efficiencies were recommended.
- 10.5 System user permissions require reviewing across the partnership.

11. ARP Enforcement review

- 11.1 This year the review of ARP enforcement was undertaken by Fenland Council on behalf of the seven councils working together as the Anglia Revenues Partnership. An audit opinion of **reasonable assurance** was given.

Improvements made since the previous audit

- 11.2 The Enforcement Team has good working practices in place that appear to be working effectively and efficiently with a good rate of successful collection of debt. By the end of the audit process, arrangements were in place for the Enforcement Team to collect overpayment debts for all seven authorities. The status of the recommendation raised in the previous year's audit report was reviewed by Fenland Council and considered to be work in progress.

Key areas where improvements are required

- 11.3 The process for unallocated payments requires reviewing.
- 11.4 The process for amending permissions, adding and removing users for the ARP Enforcement Agency system requires reviewing to ensure system access to ensure management trails are robust.
- 11.5 The timeliness of communication of debtor changes from Revenues Teams to ARP Enforcement could be improved.

12. Car Parks Cash Handling Review

- 12.1 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 **reasonable assurance** was achieved.

Improvements made since the previous audit

- 12.2 Of the three recommendations raised in the previous year's audit report two have been superseded and one is work in progress.

Key areas where improvements are required

- 12.3 A number of suggestions were made to improve practices around the collection, recording and reconciling of car parking income.
- 12.4 A review of the cash collections, maintenance of machines and Ringo contracts operating is needed to ensure that the councils are receiving competitive services from their providers.

13. Contract Extensions

- 13.1 This was the first contract extensions audit review for a number of years and was carried out to provide assurance that the councils only take the option of a contract extension in appropriate circumstances based on satisfactory performance and continued value for money. An opinion of **reasonable assurance** was given.

Key areas where improvements are required

- 13.2 The Contract Procedure Rules do not detail the possibilities and limitations when requiring an extension or an exception and there is no written guidance available for officers to determine when these should be considered or are appropriate.
- 13.3 The lack of a maintained central database containing contract details resulted in a limited sample being selected from historic work records. At the time of the review the councils were not fulfilling the requirements of the Local Government Transparency Code which stipulates that this contract data must be updated and published quarterly.
- 13.4 Contract monitoring is conducted by both formal and informal methods, it is anticipated that the introduction of the Contract Management Tool, which is being supplied through Suffolk County Council, will enable contract monitoring to be formally recorded, providing sound data on performance which can contribute and support contracting decisions.

14. Procurement Compliance

- 14.1 This audit review was undertaken to determine whether contract procedure rules are being followed and that value for money can be demonstrated. A **reasonable assurance** opinion was given.

Key areas where improvements are required

- 14.2 Our review has identified that while procedures are designed effectively to enable the councils' procurement activity to comply with the Contract Procurement Rules there are examples of inconsistent application of the procedures.

15. Off Payroll Working – IR35

- 15.1 In April 2017, new legislation was introduced for public sector organisations that contract with individuals who work through their own personal service companies, or other intermediary. The legislation requires the public body to determine whether PAYE and NICs should be deducted from the payments made to these companies. This was previously the responsibility of the intermediary or the individual worker.
- 15.2 This was the first audit review of 'Off Payroll Working - IR35'. The aim of this audit was to check that payments to consultants, contractors and interim payments are treated correctly for tax and national insurance purposes to ensure HMRC regulations and agreements are being complied with. A **reasonable assurance** opinion was provided.

Key areas where improvements are required

- 15.3 Challenges exist in respect of identifying all individuals in scope of IR35, and assessing them, and whilst this is being managed through close working with services and their HR Business Partners, and expenditure reports generated from the finance system there are opportunities to further increase awareness levels of the new regulations with Service and Operational Managers.

16. Cyber Security

- 16.1 This was the first audit review of Cyber Security, its purpose to review the design and effectiveness of cyber security arrangements across West Suffolk. A **reasonable assurance** opinion was given.

Key areas where improvements are required

- 16.2 For the majority of areas reviewed good controls exist. A small number of actions have been suggested which once implemented should strengthen the councils' defences and encourage all staff to contribute to that defence.

17. Cash Handling Checks

- 17.1 Cash is collected on behalf of St Edmundsbury Borough Council at various locations. Unannounced visits were undertaken at these cash handling locations to establish, by undertaking a cash count and discussion with staff, the adequacy of internal controls over receipting, reconciliation and banking of monies received. An opinion of **reasonable assurance** was provided.

Key areas where improvements are required

- 17.2 Overall, practices where cash handling was taking place were satisfactory, but a number of recommendations were made to improve cash handling processes to further protect staff and the Borough Council.

18. Declaration of Interests

- 18.1 This piece of work was carried out to provide an assessment of the arrangements in place to ensure that any relevant employee interests are declared and appropriately managed. No audit opinion was given for this work.

Key areas where improvements are required

- 18.2 This work identified that there is a need for employees to be reminded of the Code of Conduct and the requirement to declare interests to ensure that conflicts are removed wherever possible.
- 18.3 It is understood that the launch of a West Suffolk Code of Conduct will be undertaken in 2018/19.

19. Payment Card Industry Data Security Standards Follow Up

- 19.1 A follow up of compliance against the payment card industry data security standards was undertaken. The review concluded that of the two outstanding actions followed up one action remains outstanding to ensure that staff receiving credit and debit card payments are made aware of their responsibilities by completing the e-learning training module.

20. Apex Cash Handling Follow Up

- 20.1 A follow up was undertaken to review the Cash Handling arrangements at the Apex. Actions were reviewed from the 2015/16 review - three actions were found to have been completed, one was superseded, and one action was work in progress regarding completion of training by staff in respect of anti-money laundering and payment card industry data security standards training.

21. Heritage Assets Follow Up

- 21.1 A follow up was undertaken regarding a previous audit review of St Edmundsbury heritage assets. Two actions were found to remain as work in progress, these being to ensure that the database of assets is fully updated and to carry out regular inventory checks.

22. Contract Procedures Follow Up

- 22.1 A follow up was undertaken on the councils' Contract Procedures to establish if fair, accountable and transparent processes are in place. Actions were reviewed from the previous review, resulting in two actions being completed, one superseded, and one considered as work in progress regarding the need for clear guidance for the recruitment of temporary and agency staff, including the requirement to obtain quotations.

23. Meaning of words used

Good Assurance	System control objectives are achieved with no significant (medium risk) or fundamental (high risk) control issues or risks raised.
Reasonable Assurance	In general, system control objectives are achieved. A number of significant (medium risk) control issues and risks have been raised.
Limited Assurance	System control objectives are only partially achieved. Fundamental (high risk) and/or significant (medium risk) control issues and risks have been raised.
No Assurance	System control objectives are not achieved. Fundamental (high risk) and significant control issues and risks have been raised.