

Summary of Internal Audit Reports Issued in 2014/15

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. 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 2014/15 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 - 6 below were previously reported to Performance and Audit Scrutiny Committee in the November 2014 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 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 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 2015/16 and reported to Performance and Audit Scrutiny Committee as appropriate.

2. Criminal Records Bureau (CRB) Checks (St Edmundsbury BC and Forest Heath DC) Follow Up

2.1 A follow up review on an audit covering CRB checks in relation to HR recruitment processes, and licensing.

- Recruitment – the original recommendations have all been implemented; and
- Licensing – whilst all agreed actions have been implemented, a new minor recommendation has been suggested in respect of reviewing and aligning documents to ensure that up to date information and requirements are clearly set out.

3. Apex (St Edmundsbury BC) Follow Up

3.1 A follow up review on an audit covering the key financial areas of cash handling and transaction management, purchasing of goods and services, and stock management. The review confirmed that the vast majority of the original recommendations had now been implemented although some limited further work was still required to address some medium risk recommendations in the areas of cash handling and purchase of goods and services.

4. Bury Festival (St Edmundsbury BC) Follow Up

4.1 A follow up review on an audit covering cash handling arrangements at the Bury Festival. The review confirmed that the majority of the agreed actions have now been implemented, with only a small number (medium risk recommendations) outstanding around further improving the recording of income for programme and merchandise sales.

5. West Suffolk House Health and Safety (St Edmundsbury BC and Forest Heath DC) Follow Up

5.1 A follow up review on an audit on the health and safety arrangements at West Suffolk House. All of the agreed actions have now been completed.

6. Human Resources (St Edmundsbury BC and Forest Heath DC) Follow Up

6.1 A follow up review on an audit covering processes to support recruitment, promotion and termination of service, pay and remuneration, and career development. The review confirmed that no significant actions remain to be implemented from the original audit report issued.

7. Treasury Management

- 7.1 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

- 7.2 There have been a number of changes over recent months to align treasury management working arrangements across West Suffolk in order to ensure working practices are consistent and efficient.

Key areas where improvements are required

- 7.3 Reconciliations are generally performed monthly. However, ideally, a full management trail of all monthly reconciliations should exist, with management review and sign off to ensure they are completed accurately and in a timely fashion.
- 7.4 Staff should be reminded of the need to include the authorising officer's signature on the investment quotation form in order to demonstrate that a clear segregation of duties exists for the instructing, processing and authorising of treasury transactions.

8. Accounts Payable (Creditors)

- 8.1 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

- 8.2 A new financial system (Agresso) has been implemented and introduced across West Suffolk – this is a key corporate system of the councils which helps to support shared services and align processes and procedures across the two councils.

Key areas where improvements are required

- 8.3 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.
- 8.4 Suppliers of goods and services to the councils are generally paid promptly but performance could be further improved in this area.

9. Main Accounting System (General Ledger)

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

Improvements made since the previous audit

- 9.2 Similar to the Accounts Payable and Accounts Receivable audits the key development since the last audit has been the introduction of a new financial management system across West Suffolk.

Key areas where improvements are required

- 9.3 The audit found that although monthly bank reconciliations were being completed these could on occasions have been better evidenced by the reconciliations being signed and dated. Improvements in this area were noted around the year end.
- 9.4 Reconciliation documentation should be received monthly from ARP and then reviewed by Finance to ensure any variances are investigated in a timely manner.
- 9.5 Staff should be reminded to ensure that journals contain sufficient description and documentation to support the need for the journal. Also, it would be useful if journals processed as a batch include an authorisation process.
- 9.6 It should be noted that significant progress was made in addressing the above issues during the course of, or immediately following, the audit review.

10. Payroll

- 10.1 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.

Improvements made since the previous audit

- 10.2 Significant changes have taken place within Payroll and Human Resources with the roll out of the self service system which allows staff to view and update some of their personal details, submit online expense claims, view and print payslips and book annual leave.

Key areas where improvements are required

10.3 None.

11. Accounts Receivable (Debtors)

11.1 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

11.2 Similar to the Accounts Payable and General Ledger audits the key development since the last audit has been the introduction of a new financial management system across West Suffolk.

Key areas where improvements are required

11.3 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.

11.4 Sundry debts identified for write-off should be passed to the appropriate officer for approval on a timely basis.

12. Council Tax

12.1 The West Suffolk Internal Audit Team undertook the Council Tax audit on behalf of four local authorities in the Anglia Revenues Partnership (St Edmundsbury BC, Forest Heath DC, East Cambridgeshire DC and Breckland DC). The audit focus was to establish if procedures to ensure that council tax bills are correctly issued have been properly and consistently followed. An opinion of **substantial assurance** was given.

Improvements made since the previous audit

12.2 Improvements were noted in a number of areas including the administration of system parameters (input and verification checks on council tax bandings in the council tax system), and notes and documentation recorded on the system to support actions taken on individual accounts.

Key areas where improvements are required

12.3 Recommendations were made to further improve controls for council tax processes, including controls in respect of the ownership and processing of credit balances, but none of these were deemed to be high risk findings / recommendations.

13. Non Domestic Rates (NDR)

- 13.1 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 authorities working together as ARP.
- 13.2 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

- 13.3 Improvements were observed in the process for administering refunds and an opportunity to review working practices was taken to reduce the level of paperwork retained.

Key areas where improvements are required

- 13.4 Recommendations were made to introduce quality assurance checking procedures and further actions were recommended to improve administration and ensure a full management history was available for the NNDR accounts.

14. Housing and Council Tax Benefits Review

- 14.1 Similar to council tax and NDR the West Suffolk Internal Audit Team undertook the audit on behalf of four of the ARP local authorities. The audit focus was to establish if procedures for key controls were adequately followed to reduce the risk of incorrect housing benefit assessments and transaction processing, leading to inaccurate payments. The audit also included reviewing compliance with appropriate legislation and data quality within the system. The system achieved a ***substantial assurance*** opinion for the period under audit.

Improvements made since the previous audit

- 14.2 2014/15 has seen a number of changes within ARP structure, resources and the addition of new partners. It was encouraging to see that these changes had not had a detrimental effect on the day to day operation of the Housing Benefits function.
- 14.3 A number of improvements across all areas were evident.

Key areas where improvements are required

- 14.4 Some recommendations to further improve processes and controls were made, in particular with the collection of overpayments which is being addressed through increased resources.
- 14.5 Reduction in unnecessary system processes was recommended to ensure staff work efficiently, without increasing risk.

15. Car Parks Cash Handling Review

- 15.1 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

- 15.2 There were no outstanding significant recommendations to review from 2013/14.

Key areas where improvements are required

- 15.3 Car parking staff to be reminded of the importance of checking that bank paying in slips are correct and relate to the monies they are preparing for banking.

16. Anti-Money Laundering 2013/14 Follow Up

- 16.1 A high level audit was conducted in 2013/14 to review the framework in place to identify potential money laundering activity, staff understanding of money laundering, and awareness of the policy. A review of the progress of agreed actions concluded that all actions have now been completed which includes the implementation of an Anti-Money Laundering e-learning module.

17. 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 small 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 small 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.