

Appendix 1 – Completed Audit Opinions

Audits			
Audit: Creditors 21-22 Introduction: This audit is completed as part of the 2021/2022 audit plan.			
Risk identified:	Level of Control:	Overall opinion:	Recommendations:
Legislative and Policy Compliance: LPC1: Retention of data does not adhere to the council's retention schedule and therefore the service is in breach of GDPR regulations leading to the possibility of prosecution/ fine. LPC2: Data in relation to expenditure exceeding £500 is not published in accordance with the Local Government Transparency Code 2015. LPC3: Non-compliance with Financial Procedure Rules.	Reasonable	<p>In accordance with the transparency code 2015, data in relation to expenditure exceeding £500 is being published. As of the beginning of January 2022, expenditure up to the end of September 2021 was available on the council's website. Given the reallocation of resources to COVID this is an acceptable delay in the publication process.</p> <p>In respect of data processes, a privacy notice relating to Creditors has been published and the corporate retention schedule makes specific reference to creditor transactions. All services privacy statements and retention schedules are planned to be reviewed by the SPOC (officer responsible for data reviews). It has been agreed with the SPOC that the creditor privacy statement and retention schedule need to be amended to best reflect how creditor data is currently being retained and shared.</p>	None
Economic & Financial EF1: Unauthorised payments to organisations. EF2: Purchases of goods and services are not authorised appropriately, payments are not accurately accounted for, levels of commitment are not recorded leading to inefficient processing. EF3: Financial losses arising from error or inappropriate activity.	Reasonable	<p>There is an up-to-date authorised signatory list. These authorisation limits are set within the purchasing system. Testing of orders within the system confirmed that purchases of goods and services were appropriately authorised. Where commitment levels against proposed purchase had changed authorisation was also obtained. Invoices were found not to have been paid without a purchase order or the receipt of goods. In addition, allocation of expenditure was accurately accounted for within the General Ledger.</p> <p>Testing did identify that purchase orders for some services were being raised after the receipt of the creditor invoice. A review of the incomplete invoice report, which identifies invoices that cannot be matched for payment, noted that 12 out of the total 40 invoices could not be processed to payment as purchase orders were missing. This is non-compliance to the Financial Procedure Rules as purchase orders provide the authority for works to be completed to the agreed value. Delays in raising orders leads to understatement of commitments against service budgets and an interruption in the ordering to invoice matching</p>	<p>REC1 (EF2) <u>Recommendation priority:</u> Medium</p> <p><u>Recommendation Details:</u> Organisational awareness relating the impact of the late raising of orders after the receipt of a creditor invoice should be disseminated to services.</p> <p><u>Implementation date:</u> January 2023</p> <p>Responsible Officer:</p>

<p>EF4: Financial losses arising from fraud or error.</p> <p>EF5: Significant variances not identified and investigated.</p>	<p>process can also delay payments. It was noted that 7 of these invoices were paid between 4 to 85 working days later than the invoice due date. Incomplete invoices are chased through Financial Services, however, services themselves should be proactive in limiting the risk of unauthorised works by ensuring that their purchase ordering is up to date (Rec 1).</p> <p>Financial losses arising from error or inappropriate activity are controlled through having an established segregation of duties in relation to the payment process. The main method of payment is BACS but CHAPS or Faster Payments can be made in respect of higher value transactions or as a matter of urgency. Audit testing confirmed that a segregation of duties was being appropriately applied, and all transactions reviewed found that payments had been made to the correct bank account.</p> <p>Creditor invoices due for payment are identified through a 'ready for payments report' generated from the creditors financial system. Creditor invoices may remain unpaid on this report where they are being offset against existing credit notes that the council are holding against the creditor. This practice could potentially lead to debt not being recovered promptly if creditor invoices are not receipted on a regular basis. The review found 4 creditors where invoices for payment had not fully offset against existing credit notes. Outstanding monies totalled £9058.55 with the earliest credit note being dated 4/2/21. It is therefore recommended that a regular review of the 'ready for payments' report is undertaken in order to ensure that outstanding debt is recovered promptly in relation to the offsetting of invoice payments against credit notes (Rec 2).</p> <p>On occasions, creditor payments via BACs may fail where bank accounts have closed or details are incorrectly noted. A review of 3 months of these returned payments found that the payments had been appropriately re-allocated to new bank accounts and evidence of fresh bank instructions was documented. In respect of new creditors and changes to creditor details appropriate documentary evidence is retained to demonstrate the accuracy of the creditor record. The authorisation process concerning new creditors is appropriate, however, where changes are made to existing creditor details the documenting of the authorisation process through 'change view' within the financial system is not consistently applied. The Finance Manager explained that this appears to be a system issue within CIVICA Financials as two officers are involved in the change process. Further investigation is required with CIVICA to ensure that a clear audit trail can be demonstrated between the officer making the change and the officer authorising the alteration (Rec 3).</p> <p>Audit testing confirmed that the risk of variances occurring between the general ledger and the Creditor's system is controlled through the performance of a monthly reconciliation between the two systems. This is performed by the credit control officer (CCO) or in the CCO's absence their supporting back-up officer. A review by the Financial Services Manager is only undertaken where issues occur in the reconciliation process.</p>	<p>Finance Manager</p> <p>-----</p> <p>REC2: (EF3) <u>Recommendation priority:</u> Low</p> <p><u>Recommendation Details:</u> A regular review of the 'ready for payments' report is undertaken in order to ensure that outstanding debt is recovered promptly in relation to the offsetting of invoice payments against credit notes</p> <p><u>Implementation date:</u> January 2023</p> <p><u>Responsible Officer:</u> Finance Manager</p> <p>REC3: (EF4) <u>Recommendation priority:</u> Medium</p> <p><u>Recommendation Details:</u> To investigate with CIVICA the 'change view process' relating to failed BACS payments and other creditor changes in order to ensure that the segregation of duties between the officer raising the change and the officer authorising the change is consistently demonstrated within the system.</p> <p><u>Implementation date:</u> March 2023</p> <p><u>Responsible Officer:</u> Finance Manager</p>
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Audit: Local Authority Compliance & Enforcement Grant 21-22

Introduction:

A grant of £38523 was provided to Tewkesbury Borough Council to support COVID-19 compliance and enforcement activities. Initially the monies were to be spent by March 2021, however, this was extended to 19 July 2021. The date that the Government initiated Step 4 recovery. Assurance needed to be provided that monies had been spent in accordance with the grant conditions and in a timely manner. In this connection a declaration was required to be signed by the Chief Audit Executive and Chief Executive Officer (or similar).

Risk identified:	Level of Control:	Overall opinion:	Recommendations:
The Local Authority compliance and Enforcement Grant monies were not used to cover COVID-19 compliance and enforcement costs as per the condition of the grant and incurred upto 19 July 2021 (start of Step 4 Government Roadmap)	Substantial	The Local Authority compliance and enforcement grant monies have been spent in relation to COVID-19 compliance and enforcement matters as per the condition of the grant and these costs were incurred up to 19 July 2021 (start of Step 4 Government Roadmap) A declaration form signed by the Chief Audit Executive has now been issued.	None

CORPORATE IMPROVEMENT WORK

Discretionary Housing Payments

Client: Revenues and Benefits Manager

The role of Internal Audit has been to assist in the checking of DHP assessments. This has resulted in advice being provided to the Revenues & Benefits Manager in relation to policy amendments and establishing separate application processes for Housing Benefit and Universal Credit applicants.

IT Systems

Client: IT First Line Team Leader

In relation to IT systems, the role of Internal Audit over the past through months has been to review the following policies and provide advice in relation to demonstrating effective policy controls:-

- Asset Management Policy
- Asset Control Policy
- Change Control Policy

House Clearances for Deceased Persons

Client: Finance Manager

On very rare occasions Environmental Health undertake house clearances in respect of a deceased person where money is found within premises and requires banking. An advisory note was written for the Finance Manager to discuss with Environmental Health in relation to risks and mitigating controls to the clearance process. Supporting forms were also created in relation to the receipting and dispersal of proceeds.

Service and Responsible Officer(s)	Audit & Recommendation:	Rec. Rating	Expected Implementation date:	Findings
Service: Corporate Services- Responsible Officer(s): Head of Corporate Services	Risk Management Audit 2019-20 Risk Management' should be included as a standard agenda item for all team meetings to encourage discussion around existing and emerging operational risks.	Low	Dec-21	This recommendation has been mitigated. Risk management will now be raised through the Operational Manager's meetings. On a quarterly basis, the corporate risk register will be considered by the Operational Managers with the expectation that risk issues associated with the services will be cascaded to staff through this meeting group.

Recommendations Rating

Priority:	Definition:
1 High	A fundamental weakness in the system that puts the Authority at risk. This might include non-compliance with legislation or council policy, or may result in major risk of loss or damage to council assets, information or reputation. Requires action as a matter of urgency; to be addressed within a 3-6 month timeframe wherever possible or within an extended time frame as agreed with Internal Audit if the recommendation requires extensive resources or time.
2 Medium	Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate action. Legislation or policy are unlikely to be breached as a consequence of these issues, although could cause limited loss of assets, information or adverse publicity or embarrassment. Internal audit suggest improvement to system design to minimise risk and/or improve efficiency of service. To be resolved within a 6-9 month timescale.
3 Low	Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control. A desirable improvement to the system, to be introduced within a 9-12 month period.

Level of control

Level of control:	Definition:	Guidance:
Substantial	Substantial assurance- A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	No audit recommendations or no more than 3 low priority (3) recommendations.
Reasonable	Reasonable assurance- There is generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	No more than 2 medium priority (2) recommendations, possibly with some low (3) recommendations.
Limited	Limited assurance- Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Between 1 and 3 high priority (1) and possibly several other priority recommendations OR 3 or more medium (2) recommendations.
No Assurance	No Assurance- Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	4 or more Priority 1s OR 6 or more medium priority (2) recommendations.