

INTERNAL AUDIT ANNUAL REPORT

Portfolio	Finance
Ward(s) Affected:	n/a

Purpose

To provide an annual review of the work of Internal Audit for 2019-20 and to provide an opinion from the Executive Head Finance on the adequacy of the Council's systems of internal control.

1. **Background**

1.1 The Public Sector Internal Audit Standards require local authorities to report on the work of internal audit on an annual basis. Section 151 officers should also provide a written report to those charged with governance. The aims of the report are to:

- provide an opinion on the overall adequacy and effectiveness of the Council's control environment and risk landscape;
- disclose any qualifications to that opinion, with reasons; and
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies; and highlight any significant matters arising.

1.2 This audit report compliments some of the findings reported in the Annual Governance Statement 2019/20.

2. **Annual Review of Internal Audit Work for 2019-20**

2.1 The Internal Audit work programme is directed by the 3-year Audit Strategy as well as the annual Audit Plan. The annual Plan is agreed at Member level annually.

2.2 For the period 2019-20 a total of 21 internal audits were completed from the Audit Plan. In addition 2 ad hoc pieces of work were undertaken, the details of which are covered later in the report. Weaknesses in control and areas for improvement are reported back to management through internal audit written reports. Areas for improvement are reported using audit recommendations ranging from desirable to essential and reported in management action (improvement) plans.

2.3 Audit has also been involved in numerous other Council activities during the year including co-ordinating IR35 assessments, participation in a number of corporate officer working groups including the equalities action group, the risk management group, as well as the Elections officer project group. Audit has also been active in helping to develop the team's business continuity and emergency plans as well as co ordinating and supervising the authorised signatories process, and reviewing compliance over contract standing orders, and the Council's financial regulations.

2.4 It should be noted that the Audit work programme was disrupted at the end of the financial year with the outbreak of covid 19 and the re deployment of staff to help with the pandemic response and the welfare work, as well as unplanned staff absences.

2.5 One of four levels of assurance is provided at the conclusion of each audit, ranging from full assurance to nil assurance, as below:

Level of assurance	Definition
FULL(green)	Controls are strong and being fully complied with, service is continually developing and offering added value, business objectives are being met and exceeded
SUBSTANTIAL(green)	There is basically a sound system of control, but some minor areas of weakness have been identified, which may put some of the systems objectives at risk
LIMITED (amber)	The weaknesses in the system of control are such as to put some of the system objectives at risk, and may affect council income or expenditure
NIL (red)	There are limited or no controls in place. The service poses a significant risk to the Council and there is a risk that business objectives are not met

2.6 In practice the majority of audits score either substantial or limited assurance, as full assurance would only be offered where the entire population is tested rather than just a sample, and audits scoring nil assurance would need to have absolutely nil checks and balances in place and this would normally be addressed by management before Audit steps in.

2.7 Audit recommendations are given one of three categories namely essential, desirable, or best practice.

Essential – normally require immediate attention to address substantial weaknesses and ensure council business objectives are met; could result in financial loss; non-compliance with statutory guidance/legislation

Desirable - contribute to maintaining an effective control environment and ensure policies and procedures are met; help to ensure council priorities and milestones are met; short term implementation

Best Practice – industry best practice suggestions; help to improve overall control and efficiency; assist management deliver services; medium to long term implementation

2.8 In total 108 audit recommendations were raised in 2019-20:

- 15 essential
- 93 desirable
- 0 best practice

3. **Overdue Audit Recommendations**

- 3.1 The status of audit recommendations are reviewed on a periodic basis using an Access database. Any essential recommendations that have not been satisfactorily actioned will be escalated to CMT and to Member level as necessary.

4. **Overall Opinion of the Executive Head Finance**

- 4.1 The overall opinion of the Section 151 Officer is that the Council's internal control framework is adequate and effective and is being managed with due care and attention. The audit coverage is proportionate to the risk environment of the Council and the audit resources available.

5. **Compliance with the Public Sector Internal Audit Standards**

- 5.1 CIPFA's Code of Practice has been replaced by the Public Sector Internal Audit Standards and these Standards should be adopted by all local authorities. The work of the Council's internal audit team continues to demonstrate compliance with these Standards.

6. **Resource implications**

- 6.1 There are no resource implications arising from this report

7. **Recommendations**

- 7.1 The Audit and Standards Committee is asked to note the 2019-20 annual Audit Report.

Background papers: None

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DETAIL OF INTERNAL AUDIT WORK FOR THE YEAR 2019-20

When reading this report the reader should note that the audit work programme at the end of the financial year was disrupted by the outbreak of the pandemic and necessary re deployment to help with the welfare cell and the covid response.

Details of the work programme completed by Internal Audit covering the financial year 2019-20 are set out below:

- Key finance systems
- Other scheduled audits from the Audit Plan
- Unplanned pieces of work

KEY FINANCE SYSTEMS

A number of finance audits are carried out annually which the Council's external auditors may wish to place reliance on when they are conducting the end of year audit of the authority's financial statements. In completing the work programme for the year both the external auditors and Internal Audit will be minded of both the adequacy of the Council's financial systems and the adequacy of the arrangements for preventing and detecting fraud and corruption.

Treasury Management

This audit aimed to provide assurance over Council money market investments and ensuring the authority is getting a reasonable level of return on its treasury investments, taking into account yield, security, and risk. The audit focused on the treasury strategy, Council investment performance monitoring, access to Bankline and other financial records, separation of duties, Prudential borrowing to meet investments and new acquisitions, as well as Treasury information provided by the Council's treasury advisers. No recommendations were raised.

Capital

The annual audit for capital followed a similar process to previous years. Checks were carried out to ensure Council assets are valued correctly, and assets are accounted for correctly on the ledger, Council assets are adjusted to reflect changes in market conditions and Council assets are recorded/logged and are verified on a periodic basis. Four recommendations were raised and we are working with the service to implement these.

Debtors and Income

The annual debtors audit examined the process of raising sundry debts and to ensure that debts are raised accurately and on a timely basis, but also that the debt recovery process is effective ensuring debts are chased promptly, debt write offs are correctly applied, sundry debts are cancelled correctly upon receipt of valid Credit Notes and any reconciliation processes between Account Receivables and the General Ledger and the cash receipting system are carried out and variances investigated. Two recommendations were raised and these have been implemented.

Creditors and Expenditure

A number of financial areas were covered as part of the creditors audit. We examined the payment run process, including checks on prepayment, post payment, and BACS file reports, and appropriate sign offs, we reviewed exception reports run from Civica, eg. payments over £20k and new suppliers, we sample checked creditor invoices paid through the Civica system. The audit also covered controls over changes to supplier

bank accounts as well as access to the finance system. There were no recommendations raised.

Main Accounting

The annual main accounting audit aimed to provide assurance to management that the Council's financial system and associated feeder systems are working correctly, and are being adequately controlled, and to ensure the accuracy and timeliness of the preparation of the Council's financial statements and set of accounts. The audit examined access to Civica and making sure changes made to system data are with appropriate approval, journal entries are created accurately and postings are correct, accounting for year end/period 12 journals are dealt with efficiently. The review also tested the corporate budget monitoring process as well as accruals processed at year end. Two recommendations were raised and these have been implemented.

Revenues

The audit team reviewed arrangements for processing refunds for business rates and council tax accounts, whether revenues system data is checked/reconciled back to Valuation Office records/cash feeder systems. The review also covered how exemptions or discounts are applied and approved, and whether they are backed up by supporting records/paperwork. One recommendation was raised which has been actioned.

Housing Benefits

The audit re-performed a sample of new claims and a sample of change of circumstances assessments that support the benefits payment regime to ensure accuracy of assessment and payment, we checked a sample of monthly reconciliations undertaken and we checked whether benefit overpayments are calculated correctly and recovered. There were no recommendations.

Cash & Bank

The Processes in place to manage cash received and banked across different services of the Council was the focus of this audit review. Other areas considered included whether income payments made through the web and ATP and other council systems are correctly recorded, accounted for, coded correctly and banked, we reviewed the cash collection contract with Contract Security, we observed the kiosk being emptied and reconciled, bank reconciliations were checked. We also focused this time on Council compliance with the Payment Card Industry in respect of card payments and data protection. Six recommendations were raised and these are being actioned by the service.

OTHER SCHEDULED AUDITS FROM THE AUDIT PLAN

Payroll

An annual review of the payroll system was conducted and focused on checks on starters, leavers and staff amendments. Overtime claims and staff paid by timesheets were also covered. The audit also reviewed the process for setting up and paying temporary workers not on the establishment and paid through creditors. A total of 9 recommendations were raised and HR have actioned those due.

Joint Waste

The audit examined the joint waste contract held with Amey and managed by Joint Waste Solutions (JWS) on behalf of the 4 authorities. This was the first audit of JWS and the joint waste contract. The review covered the following areas: performance management of Amey, change control processes, analysis of financial reporting,

monitoring of KPIs, verification and payment of core and variable invoices, and garden waste invoices. Eight recommendations were raised and those due to be actioned have been.

Procurement

The procurement audit reviewed the Council's procurement toolkit for tendering and awarding of contracts, the process for obtaining quotes and tenders for orders for works and services, the appointment process for professional advisers and consultants, as well as a review of the arrangements for maintaining the contract register. We reviewed a sample of 10 high value contracts and tested them to ensure that contract standing orders were being followed, as well as ensuring value for money and whether the service had been delivered as expected. The final report was agreed in June 2020 and 13 recommendations were raised. None are yet due.

Corporate Property/Investment & Development

This review was started in quarter 4, 2019/20 and was completed in 2020 due to covid. The review covered the work of corporate property and investment and development. The audit focused on the due diligence work and safeguards in place when new assets are being purchased. The audit reviewed the following acquisitions: Theta office building based in Frimley, Trade City light industrial site based in Frimley, and Vulcan Way industrial site based in Sandhurst, Berkshire. The audit also considered the due diligence work that had been undertaken in respect of the Atrium retail park but this was not acquired in the end.

The audit also considered the role of committee, notably the Land and Property Board, as well as the strategic property asset management framework, the asset management plan, the planned preventative maintenance programme as well as the amount of condition surveys undertaken. The report was issued July 2020, and 22 recommendations were raised. We are working with officers to action these.

Health & Safety

Health & safety is audited every two or three years. The following areas were covered in the 19/20 audit: arrangements in place for reporting and recording of accidents and incidents, risk assessments undertaken, health & safety arrangements for mobile/home working/lone working, review of H&S training for new starters and established staff, and arrangements for off site events and ad hoc work delivered by the Council. Six recommendations were raised and have been actioned.

Camberley Theatre

A review of the Council's theatre service was started in 19/20, and finished off in 20/21 due to covid-19. The audit covered the following key risks, financial monitoring, income received, petty cash and banking, cash handling and end of day cashing up, venue hire, booking process and hire income. Audit also examined professional show contracts, ticket sales and show settlements with performers and agents. A number of recommendations were agreed with venue management and these are being addressed. Eight recommendations were raised and all are due to be actioned by March 2021.

Leisure Services

Different aspects of the leisure service are reviewed each year. For 2019/20 it was agreed that we would focus on the action taken by Business service to address the concerns and weaknesses arising out of the Heritage centre review originally conducted in 2018. A number of new issues were identified and an action plan has been agreed with the service to improve controls.

The service has a number of income streams, including gallery sales, selling items in the shop to the public, donations from the public and patrons and fees paid for events walks and craft activities. As such the audit focused on a number of income areas namely: cash handling and cashing up, security of income ,recording sales accurately, centre policies and procedures, as well as volunteer arrangements. 15 recommendations were raised and all have been actioned.

ICT

The 2020 audit reviewed the controls and functions operating over the Box cloud content platform, as well as the actions taken by ICT to address recommendations from the previous box audit. The audit was started in 19/20 but was finished in 2020 due to covid. The audit also considered the development and roll out of the Council's digital portfolio. The safeguards and checks and balances in place to safeguard and maintain computer equipment and assets such as laptops were also examined in some detail, especially with a view to more agile working and working from home. Nine recommendations were raised and we are working with ICT to action these, most have been actioned.

Fraud Prevention & Detection

The audit checked whether officers are required to make declaration of interests and whether records are retained for gifts and hospitality. The review also covered fraud training provided to staff. A review of corporate policies was also undertaken, covering the anti fraud response plan, whistle blowing policy and the anti money laundering policy. No significant officer or contractual frauds were found, so the audit focused on best practice. Five recommendations have been raised and we are working with officers to ensure these are actioned.

Facilities

The 19/20 review examined the main activities of the facilities team and security officers, and included building control procedures and arrangements for managing office security, building and facilities maintenance procedures and records for fire protection, intruder alarm, lift contracts, barriers, doors, windows, fixed wire testing, as well as heating and air cooling systems. The audit also examined the extent to which the Council's cleaning and sanitation contract was being managed. A number of areas of improvement were recommended and these are being addressed by management. Eight recommendations were raised, which have been actioned, or are in the process of being implemented.

Building Control

Building control is reviewed every two years on average. The 19/20 review concentrated on the building control application process, carrying out inspections, payment of invoices, issue of Completion Certificates, and charging and reconciliation of building control fees. No significant issues were found. No recommendations were made.

Community Transport

A community transport audit was carried out and a substantial level of assurance was provided. Transport scheduling and reporting were examined, including pickups, transfers, and trip cancellations. The audit reviewed the application process and checked customers provided eligibility. Income streams were examined, including weekend trips, trip payments, and setting of fares. Checks were also conducted on driver licence checks, training as well as servicing and maintenance of fleet vehicles. Four recommendations were raised, and we are addressing these with staff.

Business Continuity & Emergency Planning

The Council continues to work with its business continuity partner Applied Resilience to develop and test its emergency planning and business continuity arrangements.

In 2019/20 Internal Audit updated the business continuity service level plan for audit, fraud and enforcement. This plan aims to identify key equipment, loss or denial of access to Council offices, key staff and making sure we have contacted our key suppliers.

Audit also updated the Situation Report for the service, that deals with the impact on the service over the initial 24 hour period following a major incident, and what critical issues the Council would need to be aware about.

Most recently with the outbreak of the Covid-19 pandemic we have reviewed the loss of staff document which focuses on addressing staff absences as a result of the pandemic, as well as staff re deployment to help with the covid 19 response.

UNPLANNED PIECES OF WORK

Several additional pieces of work were undertaken that were not scheduled in the Annual Plan.

Elections

Internal Audit undertook a critical review and self-assessment of the two elections that took place in 2019, namely the borough, parish and Neighbourhood Plan referendum (2 May 2019), and the European parliamentary election (23 May 2019). The main objective of the audit was to identify areas for improvement for future elections and to report back findings to the Returning Officer and the elections project team.

A number of areas for improvement were identified and these have been addressed by the elections officer project team.

Internal Audit also provided assistance with the preparations for the postponed PCC elections scheduled for May 2020. We examined the election integrity plan and risk assessments. 11 recommendations were raised and all have been implemented.

Swift Lane- Traveller Enforcement Action

Swift Lane, Bagshot was the location of an unauthorised traveller incursion, with a number of unauthorised businesses operating from the site. Audit provided assistance to the corporate enforcement team with the direct action, court case and enforcement action against the travellers on site. Audit assisted with site visits, as well as consulting with the enforcement bailiffs to produce a 'working' risk assessment that covered areas such as risks to staff whilst on site, risks to the project including costs, safeguarding issues and electrics issues.

RESOURCES AND STAFFING

There were a total of 430 working days available to deliver the Audit Plan. The plan also provisions a small element for contingency, team supervision, sickness and training and development. A number of audit days were lost at the end of the financial year due to covid-19.