

## **Detail of Internal Audit Work for the Year 2022-23**

Details of the work programme undertaken by the Internal Audit team for the reporting period are set out below:

### **Finance Audits**

A number of finance audits are carried out annually which the Council's external auditors can use to help place reliance on as part of their audit of the Council's set of accounts and Financial Statements. In completing the work programme for the year both the external auditors and Internal Audit will be mindful of both the effectiveness of the Council's financial systems and the adequacy of the arrangements for preventing and detecting fraud and corruption. A number of recommendations were raised in respect of the finance audits and the majority of these have since been actioned by managers and whilst a number of recommendations are not yet due.

### **Cash & Bank**

The brief for the 2022/23 cash and bank review covered cash transactions and records paid in through various income streams, including the internet, automated telephone payments or other Council systems, cash collection and arrangements with the Council's cash collection contractor, bank reconciliations, the Kiosk operation, bank mandates and signatory arrangements, along with Bankline use and access. The audit also covered a review of the Payment Card Industry Data Security Standards (PCI DSS), a set of security standards designed to ensure that all companies that accept, process, store or transmit credit card information maintain a secure environment. A single recommendation relating to bank mandates has since been actioned.

### **Debtors & Income**

Raising sundry debts was reviewed for this audit checking that debts have been raised accurately and on a timely basis. The review also tested a sample of unpaid sundry debts to test the debt recovery process and ensure debts are chased promptly and legally recovered as far as possible. Audit also examined whether debts are written off correctly and only when it is valid to do so, as well as testing that Council debts are cancelled correctly upon receipt of valid Credit Notes. For 2022/23 the audit focused upon debt recovery by the Council's Legal team along with recovering small value debts under £500.

In total 11 recommendations were raised, which mainly centred around suggesting improvements to the debt recovery process, and the Finance team are working hard to action these by the due dates.

### **Creditors and Expenditure**

The creditors audit examined the following areas: invoice payments made to the Council's creditors, exception reports run from Civica, e.g. payments over £20k, controls operating over new suppliers, changes to supplier bank accounts, and access to the finance system.

In addition a number of duplicate payments were made to suppliers back in 2021/22 which were reported in the previous creditors report, so a particular focus was given to examining the extent to which the new controls were fully working including the implementation of new creditor supplier software used to review payments and be used as a forensic tool to analyse and investigate supplier accounts and possible fraudulent or duplicate payments. In total two recommendations were raised to address internal controls operating over raising of Purchase Orders as well as officer sign off limits which have since been actioned by the Finance team.

## **Revenues**

The annual revenues audit reviewed refunds for commercial rates and council tax, reconciliations carried out between Revenues system and Valuation Office records, and cash receipting/feeder systems, processes for awarding discounts/exemptions to accounts and testing a sample of transactions for administering and applying discounts and exemptions to council tax and commercial rates accounts.

The Business Improvement District (BID) operation was examined, including levy bills issued and payments collected from local businesses. The audit reviewed the process for awarding exemptions as well as the debt recovery process for business who had not paid/paid late their levy payment.

Several recommendations were put forward mainly around the BID processes and operations and these are being addressed by the service.

## **Housing Benefits**

New claim assessments that support benefits payments were tested as well as testing for accuracy of assessments and payments. The audit also examined the checks carried out by benefits staff to check claimant identification, accuracy of claims and supporting documentation, and income/capital assessments. Housing benefit overpayments were also looked at in detail to see whether they were being identified, and recovered from claimants as well as examining the reasons for the overpayment. There were no material issues found and no recommendations were made.

## **Treasury Management**

This audit aimed to provide assurance over Council money market investments and to check that the Council is getting a reasonable level of return on its treasury investments, taking into account yield, security, and risk.

The following areas were reviewed in detail as part of the audit: Treasury Management Strategy and Treasury Management Indicators, Council investment performance monitoring and reporting to senior management/Members, examination of officers' access to Bankline and other financial records, prudential borrowing in terms of approval, servicing, and assessment of risk. The audit tested in detail investments to make sure they are in line with rules and Council's Treasury Management Strategy. The Council's borrowings and loans were also tested. In total one recommendation was made which has now been implemented.

## **Capital**

Annually Internal Audit conducts a check to confirm whether a firm of professionally qualified chartered surveyors has valued Council assets. A report was obtained and was found to be satisfactory. The Council's Financial Regulations require all services to maintain an up to date inventory of their assets which was tested, and where a couple of recommendations were made to tighten up on procedures in this area.

The audit also considered controls over capital accounting budgets and as well as fixed asset accounting. In total four recommendations were made, around managing capital projects and service department inventory records.

## **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.

The review also tested access to Civica, tested a sample of journals posted on Civica, carried out a fully documented check of the Council's Trial Balance to statement of accounts, as well as an independent check of opening balances on Civica.

The audit also reviewed the authority's corporate budget monitoring process and year end arrangements with accruals, and prepayments. Three recommendations were made relating to budget monitoring reports and the approval process for journals.

## **Non-Financial Audits**

### **Payroll**

Payroll is one of the audits that is reviewed annually and follows a similar pattern each year. The following areas were covered: testing a sample of starters to confirm they have been set up correctly and they are paid the correct amount, testing a sample of leavers to they have been removed/suspended on the system and that their last pay is correct, testing a sample of overtime claims and wages by timesheet and checking each has been approved and evidenced.

A total of 4 recommendations were made relating to proper records being maintained on the payroll system for overtime claims, the induction process, and ensuring establishment lists are reviewed and actioned by managers to better inform staffing budgets and staff requirements. These actions have now been implemented.

### **Land Charges**

The land charges system is audited periodically and for 2022/23 it covered reviewing the Land Charges Register, confirming how often it is amended, and if it is up to date, testing a sample of applications for local land searches and check to ensure plans and other supporting documents are sent and accounted for, reviewing land charges fees, and confirming whether fees charged are in compliance with the Council approved fees & charges for Local Land Charges.

The audit also examined the cancellation of searches and confirming whether appropriate refunds have been applied, and ascertaining whether performance or search turnaround times are monitored, and statistics compiled and reported.

Two actions were suggested to improve performance and the Head of Service has since confirmed that both of these have been fully implemented.

### **Democratic Services**

The operations of the Democratic Services team were examined excluding the elections process which is subject to a separate review. The audit focused upon compliance with legislation deadlines in relation to the publication of agendas, key decisions, and notices of intention for exempt items, administration of the public speaking scheme, and the rules around who can and cannot speak/attend at committee meetings, the Scheme of Delegation and the administration of the Council's Constitution, Member remuneration, including allowances and expenses and finally training and development provided to Members.

All in all there were no material issues found but in total four separate recommendations were made which centred around providing a training programme for Members as well as meetings deadlines for publishing committee reports.

### **Parking**

The Parking audit focused upon cash collections and the issue, payment and recovery of Penalty Charge Notices or PCNs. The key testing centred around parking income generated from Council car parks as off street parking may not be collected in full, recorded, reconciled, or banked, parking income discrepancies/variances may not be identified, investigated properly or resolved, the cash collection contract may not be being managed effectively, and Penalty Charge Notices may not be pursued or paid, or the challenge process may not be working.

The audit has been completed and a report for management is due to be issued shortly.

### **Corporate Health & Safety**

The brief of the corporate Health and Safety audit focused on the following main areas: reviewing the Council's Health & Safety policy and procedures, reviewing risk assessments undertaken by service departments, examining display screen assessments undertaken by new starters/refresher training for existing staff in respect of their equipment and workstations, as well as assessing the arrangements put in place to provide training for the Council's first aiders/fire wardens.

In addition the audit examined the arrangements for the reporting and recording of accidents and incidents, and reviewing arrangements set up for lone working and staff working remotely or working from home.

Nine recommendations were advised, including suggesting improvements to the risk assessment process by service departments as well as DSE assessments being completed and records brought up to date.

The audit did not identify any material H&S concerns that would cause danger to life or limb.

### **Camberley Theatre**

The theatre operation is normally audited annually due to the high income and expenditure. For 2022/23 the audit looked at venue and ticket event management arrangements to ensure that checks are in place to manage ticket sales through the box office, contracts with agents/performers, and income received from show settlements, along with the processes for cancelling shows and arranging refunds/exchanges.

In addition the audit scope included testing cash handling arrangements in operation, including cashing up procedures, accounting for receipts, and banking records, checking venue hire processes, including the booking process, and charging and receiving hire income as well as stock controls over the bar and catering facilities.

Five recommendations were put forward to shore up weaknesses in control, around income records and the safe security, and contract approvals with hirers and show performers. The service have implemented these action points where due.

### **Insurance**

Sutton Council manage the majority of the insurance processes on behalf of the Council so the audit examined many of the processes carried out by them as well as the working relationship between Surrey Heath and Sutton. It included a review of the insurance agreement between the Council and the London Borough of Sutton, as well as a review of the other brokerage services provided to the Council, and a review of the premiums and fees paid by the Council and how they have been accounted for/apportioned.

The audit tested in detail a number of claims made against the Council and how these have been handled by Sutton and settled. The audit also considered the roles and responsibilities for the insurance work as it wasn't particularly well defined, and the audit also examined asset registers and inventories.

In total 7 recommendations were agreed with management to improve the in house insurance processes and these are being addressed by the Finance team.

### **HR & Expenses**

A limited scope of the HR function was agreed for 2022/23. This year the audit focused on payments made to staff and Members in respect of travel, subsistence and other business expenses.

The audit tested mileage claims payments made to staff and the associated paperwork and claims. The audit tested other expense claims made including transport costs, accommodation and meals, any caring allowances and membership subscription fees and any uniform costs.

The audit also tested how the Council manages the Corporate Manslaughter rules in terms of making sure that staff have the appropriate driving documentation in place,

and that their vehicles have passed all the necessary checks to enable them to be used safely for business purposes.

The main audit findings are in the process of being reported to management.

### **OTHER CONSULTANCY WORK AND CORPORATE PROFESSIONAL ADVICE**

- ✓ **Business Improvement District (BID)** – Audit was asked to review the arrangements in place in respect of the BID Camberley, focusing on the additional voluntary contributions paid by the Council over the 4 year period 2018/19 to present day. As part of the exercise the review considered a variety of factors including BID regulations and protocols that have been established, the BID Business Plan, the controls and governance arrangements in place, for example any delegated authority, or provisions within the Constitution. Audit made a number of recommendations in respect of the operation which were reported to senior management.
- ✓ **Financial Regulations and SCOs** – Internal Audit continues to provide advice to staff about the Council's financial rules and regulations especially with regard to procurement matters and Delegated authority.
- ✓ **IR35** - Audit has continued to offer help and advice in regard to the IR35 off payroll working arrangements for contractors working in the public sector. Non-compliance of IR35 could set the Council back thousands of pounds in fines. Audit has carried out a number of self-assessments for workers thinking about joining the authority.
- ✓ **Card Use** - Audit carried out an extensive review of purchasing card and credit card use back in 2022 and has built on this work in 2022/23 by continuing to check compliance with car rules spend, and the overall number of officers with card access, so that the process is kept self-contained.
- ✓ **Investigations** - Audit contributed to the conclusion of 2 pieces of investigation work in 2022, one involving a complaint from a member of the public, the other around parish Councillors.
- ✓ **National Fraud Initiative (NFI)** – a national exercise and database set up by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Audit was appointed Key Contact for this activity, and tasks include co ordinating the exercise for the Council, working with the NFI to deliver data matches, and setting up and deleting users.

- ✓ **Corporate risk management group** – IA has continued to participate, and has contributed to reviewing the corporate risks and the risk register, and providing risk updates that relate to the audit function.
  
- ✓ **Monitoring Financial Regulations** – part of the audit role is to monitor and report on Financial Regulations compliance, and reporting breaches of non-compliance where necessary to the S151
  
- ✓ **Scheme of Delegation and authorised signatory processes** – the powers of certain officers to sign for financial transactions are managed and monitored by IA. New users are set up by audit, and leavers are deleted. Audit also reviews current levels and makes amendments if required. Audit also monitors compliance throughout the year and reports breaches if necessary. A new sign off process has recently been introduced using Boxsign to enable amendments to the signatory system to be more streamlined.