

Internal Audit Progress Report



East Lindsey District Council December 2022

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The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan. ¹

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period August 2022 to December 2022
- Advise on progress with the 2022/23 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

Progress is being made on the revised plan with nine audits currently in progress, three are at draft report stage, two are at fieldwork stage and four pieces of work are being prepared (Appendix 4 contains the full detail).

We have completed 37% of the revised plan. There has been one addition to the Audit Plan so far, review and update the Fraud Risk register.

There are currently 8 actions which are overdue, two of which is rated as High.

3
HIGH
ASSURANCE

3
SUBSTANTIAL
ASSURANCE

2
LIMITED
ASSURANCE

0
LOW
ASSURANCE

1
CONSULTANCY

Assurances

In this period 9 reviews have been completed:-
SELCP

- Flood Management –High
- Good Governance Health - Consultancy

ELDC

- Housing Benefit Subsidy – High
- Section 106 agreements – Limited
- Key Controls Budgetary Control – High
- Key Controls Accounts Payable – Substantial
- Key Controls Treasury Management – Substantial
- Key Controls Accounts Receivable – Limited
- General Ledger – Substantial

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

Introduction

Work in progress

SELCP

- Payroll – fieldwork
- ICT Cloud Hosted – Draft Report
- VFM – Preparation
- Key Controls – Revenues TOR agreed
- Risk Management – Scoping
- Assurance mapping – drafting report
- ICT Virus protection and malware - Scoping

ELDC

- Invest East Lindsey – draft report being finalised
- Follow-up Procurement - fieldwork

Assurance Lincolnshire Update

As you're aware Lucy Pledge will be leaving Assurance Lincolnshire on the 30th March 2023. She will be retiring from the role a Head of Audit and Risk Management having helped build the Assurance Lincolnshire partnership into the success it is today.

Following a successful recruitment process, we are delighted to confirm that Claire Goodenough has been appointed as Head of Audit and Risk Management at the County Council – heading up the Assurance Lincolnshire Partnership. Claire has a good background of working within the public sector at a senior level and with the Institute of Internal Audit. Claire joined the team on the 23 January, to enable a detailed handover, which will incorporate meeting with our clients over the coming months.

We hope you will all join us in welcoming Claire as she begins her Assurance Lincolnshire journey.

High Assurance

Flood Management

We have provided a High level of assurance that East Lindsey District Council and Boston Borough Council's arrangements to manage flood risk are operating effectively and their statutory responsibilities are being adequately fulfilled. To ensure a co-ordinated approach to managing floods, the Councils continue to pro-actively engage and work with other Risk Management Authorities and Lincolnshire County Council as the Lead Local Flood Authority. This collaborative working enables an appropriate response to be provided to managing and mitigating the flood risks within both Councils' areas.

There is a clear understanding of the key legislation and the Councils' statutory duties and responsibilities relating to flooding. ELDC and BBC's Category 1 emergency flooding and 'first responder' duties under the Civil Contingencies Act (2004) are being discharged by Lincolnshire County Council / the LRF via formal agreements.

Lincolnshire Resilience Forum (LRF) emergency response processes and protocols are robust, well-practised and responsibilities clear.

Lincolnshire flood risks are identified on the County's Community Risk Register; which is considered against ELDC / BBC's own registers. The Strategic risks currently being carried are considered appropriate.

Housing Benefit Subsidy 2021/22

We examined forty cases as part of the work undertaken to support the subsidy claim, in respect of payments made in 2021/22 financial year. Twenty rent allowance claims, four modified schemes and sixteen Non Housing Revenue Account (NHRA) claims. We are able to give a high assurance rating because thirty nine of the forty cases tested had no errors. This is an improvement on the previous year when we identified six errors. We did not find any errors in the module 2 testing we carried out. All parameters had been entered on the system correctly.

The error we identified was on a modified scheme claim where an incorrect state retirement pension amount had been used in the calculation. Information had been received showing the correct amount but this had not been used and the figure held in the system had been updated in 2020/21 and 2021/22. This has resulted in an underpayment of £59.20.

PSPS have been informed of the error and the Revenues and Benefits Support Team will be liaising with External Audit regarding any additional testing required by them.

High Assurance

Key control – Budget Management*

Our review found that the processes around the setting of the annual budget and the ongoing monitoring of budgets are well controlled and therefore Budget Management has been given a 'High' assurance opinion.

Substantial Assurance

General Ledger

We have provided a substantial opinion as the processes in place for controlling access, journals and control accounts are working well. We have made some recommendations in respect of the suspense account and one control account.

There are formal, substantially automated, processes for starters and leavers with two-part authorisation for new access.

Access to the workflow process to create and approve journals is restricted to appropriate and authorised users. There are inbuilt control features to ensure that journals are accurate and that there is a separation of duties.

Control account reconciliations are being completed and reviewed in accordance with guidance. The Payroll reconciliation has been identified as requiring simplification as it has become very complicated since the introduction of the new payroll system.

Whilst the General Ledger suspense account is being regularly reviewed, the balance was high on 31/03/22 at £110,400.90 compared to £8,681.08 (2020/21) and £1,701.37 (2019/20). A number of reasons were given for this; staffing changes, lack of time to investigate, customers not being advised to correct payment information.

Unallocated suspense items can impact on budget information and customers could be being chased unnecessarily for unpaid debts. A High priority recommendation has been made to make review of the suspense account a higher priority. Also due to capacity issues, the first reconciliation of the suspense account was done in February 2022 for the ten month period (April 21 – January 22). February and March reconciliations have been completed but were not done in accordance with the required timeframe. A recommendation has been made to comply with procedures.

Key Control – Treasury Management*

Overall, Treasury operations were found to be well controlled, transparent and operating in accordance with the approved Treasury Strategy. Greater focus is required on the timely completion and approval of account reconciliations as these are a key control against fraud and error.

Substantial Assurance

Key control – Accounts Payable*

Accounts Payable (AP) processes were found to be well controlled within Unit4. The new finance system has strengthened controls around the approval of purchase orders and invoices and removed the need for manual checks for compliance with the authorisation matrix. We found that purchase orders and invoices were authorised in accordance with delegated authorities and new suppliers and supplier amendments were independently approved in Unit4. Unit4 has also introduced enhanced reporting capability around supplier amendments and invoices with / without purchase orders.

Some control improvements were identified in respect of manual AP processes, which were primarily due to the focus of AP team resource on the implementation of Unit4 and migration of Boston Borough Council onto the new system, and due to staff absence during FY21/22. these include verification of supplier bank details, authorisation of high value payments, monitoring of invoices with retrospective or no Purchase Orders and duplicate Invoices.

*One report issued covering these three areas.

Limited Assurance

S106

Limited assurance has been given to the management of S106 agreements due to the lack of fully effective controls in place around the management and monitoring of S106 agreements. Gaps in controls have been identified due to staffing turnover.

Some of the controls are not yet in place to mitigate key risks surrounding the Council's liabilities (repayments where certain planning obligations are not met) which has the potential for reputational damage if the funding has not been received or distributed.

There is a lack of formal procedure in place for identifying new S106 agreements, this is reliant on the Planning Policy & S106 Officer running manual reports. This could lead to non-compliance with legal obligations to identify and report on the funds. Therefore the Council may not be obtaining all the income that it is due resulting in the infrastructure improvements not being implemented.

There is currently only one officer within the Council who fully understands the monitoring process. Training of other team members should therefore take place. We also identified a lack of S106 income and expenditure monitoring by the Finance Team during the audit. Although a new report is being developed to aid this monitoring, it was not yet operational at the time of our review which makes reconciliation between Finance and the S106 register inefficient.

Funding received, especially caravan park Community Benefit obligations are not being spent in a timely manner. There was a S106 agreement missing from the 2020/21 Infrastructure Funding Statement, which has led to inaccurate reporting on the level of funds held and contribution amounts.

Limited Assurance

Key Controls – Accounts Receivable

We have provided a 'Limited' assurance opinion, due to the financial impact of and the need to develop robust controls around the use of credit notes, the authorisation of subscription (recurring) invoices and debt recovery. The remaining areas were found to be adequate with clear separation of duties within transaction processing.

We found an overall lack of transparency and oversight around credit notes raised. There has been no monitoring or analysis of the usage of credit notes to ensure compliance with the Financial Procedure Rules.

We identified issues relating to the administration of a debt restructure agreement and monetary approval limits for credit notes not being embedded into Unit 4, a budget holder can authorise a credit note of any value. Greater controls around the approval and monitoring of credit notes should reduce the risk of financial loss or misstatement and improve transparency of the actual debt and write off position of the Council.

We found no evidence to support the approval of the subscription sales invoices tested as there is no clear audit trail of their set up in Unit4. Subscription invoices can be set up and issued by service areas without being thoroughly checked or approved in Unit 4 by the Accounts Receivable team. Increasing central oversight and control over the issue of subscription invoices should reduce the risk of inaccurate or unauthorised invoices being raised.

Recovery action has not always been undertaken on a timely basis in the absence of agreed working protocols or timescales between the Accounts Receivable team and service areas. Closer collaboration between the teams would help reduce the risk of unrecoverable debt and ensure more timely recovery action

See Appendix 1 for full summaries of the Limited reports

Consultancy

We can confirm that the Council conforms with the Framework – with good governance arrangements in place that are up to date and relevant to the environment it operates in – Advisory Points have identified areas that will enhance the overall governance of the Council.

As part of the evidence gathering work carried out, we engaged with a number of senior officers. The professionalism and knowledge they demonstrated while providing information gave us confidence on staff awareness of strategic direction and their roles & responsibilities as part of the SELCP.

Whilst we have identified improvements that will further strengthen the governance arrangements, we are pleased to note that the Sub-Principles received an assurance rating no lower than substantial. The majority of issues raised had already been identified by the Council and are being resolved. These include:-

- Complaint process – implementing lessons learned arising from feedback from people using or receiving our services, and an internal review.
- Scheme of delegation and financial procedures – to be updated to match current structure and financial system
- Improving the Council's control environment – continue to monitor the financial Governance arrangements in place

The areas where we are suggesting improvements in the Council's governance arrangements are:-

Ethics – Whilst the Council has the appropriate systems and processes in place to ensure good governance is maintained; it is more challenging, to demonstrate that they are working well and that there is a strong commitment. One key area of the new governance guidance is demonstrating the ethical mind set and a commitment to ethical values. This includes how decisions are made and the need for staff to be trained and made aware of ethical awareness and behaviours.

Partnerships – Better accountability and transparency required over contract and partnership risks and their assurance arrangements. The same good governance standards should apply to whoever delivers Council services. The SELCP Senior Leadership Team (SLT) should consider how it gains assurance on the effective management of key partnerships and contracts – including robust and effective challenge over progress and delivery.

Transparency Code – publication of fraud figures will ensure full compliance with the Code.

Internal Audit Work

Audit Reports at Draft Stage

- Invest East Lindsey – Draft report being finalised before being issued
- ICT Cloud Hosted – being reviewed

Work in Progress

SELCP

- Payroll – fieldwork
- VFM – Preparation, awaiting information before can progress
- Key Controls – Revenues TOR agreed, meeting booked to discuss fieldwork
- Risk Management – Scoping meeting being booked in
- ICT Virus protection and malware – Meeting being booked in to discuss scope

ELDC

- Follow-up Procurement - fieldwork

Changes to the Audit Plan

There has been 1 addition to the Audit Plan so far, Fraud Risk assessment. Appendix 5 shows the detail.

Other Significant work

Combined Assurance

The assurance mapping meetings have now been completed and the results are currently being collated and used to populate the draft report for Management to complete.

Internal Audit Work

Audit Recommendations

Progress in implementing the recommendations made to date has been obtained from the responsible officers and recommendations have been closed off where advised. Overall for East Lindsey and the Partnership there are 36 recommendations to be implemented of which 8 are overdue. Of these, 18 specifically relate to East Lindsey, with 4 of these being overdue. The overdue recommendations include:-

- ELDC General Ledger and Financial reporting – 1 High, 2 Medium. All due by 31 July 2022
- ELDC Financial Services Key controls – 1 High due by September 2022
- SELCP Contract Management – 3 Medium due by 31 October 2022
- SELCP S106 – 1 Medium due by 30 November 2022.

A full recommendation update is shown at Appendix 2.



Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators as at 30th November 2022

Performance Indicator	Year-end Target	Actual at 31 st December 2022
Percentage of revised plan completed	100%	37%
Percentage of recommendations agreed	100%	100%
Percentage of agreed actions implemented	100% or escalated	40%
Draft report issued within 10 days of fieldwork completion	100%	60%
Final report issued within 5 days of management response	100%	100%
Draft report issued within two months of fieldwork commencing	80%	20%

The plan was not agreed and scheduled until June so work spread over 3 quarters.

There have been a number of delays experienced this year and towards the end of last year in obtaining information to progress audits. This causes issues with work scheduling and has therefore impacted on the time taken to complete the audits.



Other matters of interest

A summary of matters that will be of particular interest to Audit committee members

CIPFA \ **Guidance on Audit Committees in Local Authorities and Police**

The guidance document to support the position statement is was published in October 2022 – A copy is available from the Head of Internal Audit at Lincolnshire County Council on request.

The guidance covers the following areas:-

- The Purpose of Audit Committees
- The core functions of an Audit Committee
- Possible Wider Functions of an Audit Committee
- Independence and Accountability
- Membership and Effectiveness of the Audit Committee

It also has suggested Terms of Reference, Knowledge and Skills framework, Self Assessment checklist and Evaluating the impact and effectiveness of the Audit Committee.

Croydon Council Governance Failing

Fairfield Hall is an arts, entertainment and conference centre situated in Croydon. Refurbishment of this building was agreed by Croydon Council and work was undertaken between June 2016 and September 2019. It was delivered late and cost substantially more than the original £30m budget agreed by cabinet. Originally a Value for Money review, this became a Report in the Public Interest by their Internal Auditors Grant Thornton which highlighted failings of financial control and governance of this project.

The report found that the ‘governance gaps’ at the time ‘prevented scrutiny and challenge that may have allowed corrective action to have been taken.’ The report found that the statutory officers and chief officers throughout the time of the refurbishment, including the then chief executive, the two Section 151 officers and the then monitoring officer, failed to fulfil their statutory duties. All have since left the council. An action plan will be put in place to address the recommendations arising from this report.

This has led the Council putting in place new measures to address the findings. The Council has overhauled and strengthened its financial, legal, decision-making and other governance processes, and through its Croydon Renewal Plan is creating a new culture of good decision-making, transparency, accountability and value for money.



Other matters of interest

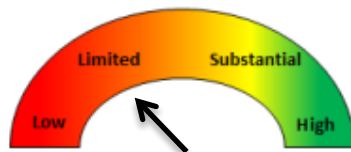
A summary of matters that will be of particular interest to Audit committee members

It also led the council to undertake an external independent review of its companies and company structures. Following that review, the council's intention is to wind down its development company Brick by Brick once it has completed its outstanding building work.

The Fairfield Halls refurbishment contracts were taken back under direct Council control. The full report can be seen here:

[Report in the Public Interest Fairfield Halls | Croydon Council](#)

Section 106 Arrangements – September 2022



Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Failure to monitor and report S106 agreements and income.	Medium	0	3
Failure to ensure S106 monies are spent in line with the agreements and legislation.	Medium	0	1
There is no reporting or management oversight on S106 monies.	Medium	0	1
TOTAL		0	5

Background and Context

Section 106 (S106) agreements, also known as planning obligations (based on that section of the 1990 Town & Country Planning Act), are private agreements made between local authorities and developers and can be attached to a planning permission to make acceptable developments which would otherwise be unacceptable in planning terms.

S106 agreements are used for three purposes. To:

- Prescribe the nature of development (for example, requiring a given portion of housing is affordable)
- Compensate for loss or damage created by a development (for example, loss of open space)
- Mitigate a development's impact (for example, through increased public transport provision)

It is important to add that the Levelling up White Paper published in February 2022 included the potential to replace the S106 obligations with a “new infrastructure levy which will enable local authorities to capture value from development more efficiently, securing the affordable housing and infrastructure communities need”. Therefore, this should be considered with any improvements that are recommended as part of this review.

Scope

To review the arrangements in place to ensure that East Lindsey District Council (ELDC) meets its obligations for S106 agreements:-

- To provide assurance that systems and processes are in place for monitoring and reporting S106 agreements and funds.
- To ensure that systems are robust and that S106 agreements are being effectively delivered.

- To ensure that the Council uses effective processes when applying and managing S106 agreements.
- To ensure that there are effective monitoring and reporting arrangements for S106 and other associated income. We have also considered community benefit payments paid by developers to the Council, at the request of the S106 Officer during the audit.

Key Messages

Limited assurance applies to the management of S106 agreements due to the lack of fully effective controls in place around the management and monitoring of S106 agreements. Although the gaps in controls have been identified due to staffing turnover, some of the controls are not yet in place to mitigate key risks surrounding the Council's liabilities (repayments where certain planning obligations are not met) and the potential for reputational damage when the funding has not been received or distributed.

There is a lack of formal procedure in place for identifying new S106 agreements, this is reliant on the Planning Policy & S106 Officer (referenced hereafter as the "S106 Officer") running manual reports. This could lead to non-compliance with legal obligations to identify and report on the funds. Therefore the Council may not be obtaining all the income that it is due resulting in the infrastructure improvements not being implemented. This is an improvement on what was in place previously but there is still currently only one officer within the Council who fully understands the monitoring process. Training of other team members should therefore take place.

We also identified a lack of S106 income and expenditure monitoring by the Finance Team during the audit. Although a new report is being developed to aid this monitoring, it was not yet operational at the time of our review which makes reconciliation between Finance and the S106 register inefficient.

We also found that funding received, especially caravan park Community Benefit obligations are not being spent in a timely manner.

Finally, there was an S106 agreement missing from the 2020/21 Infrastructure Funding Statement, which has led to inaccurate reporting on the level of funds held and contribution amounts.

Areas of Good Practice

Prior to the current S106 Officer being appointed in February 2021, and as a consequence of staffing changes due to the Strategic Alliance, responsibility had not been assigned internally for monitoring S106 agreements. The incoming Assistant Director for Planning recognised this issue and put an arrangement in place to address the risk to the Council. As such, there has been a significant amount of work carried out by the S106 Officer since taking up their position, to ensure that the information about current S106 agreements is captured within a register. This register is now monitored at least monthly, and there is work ongoing to improve related processes to ensure that the register is kept up to date, and that monitoring of the agreements takes place. A S106 process flow chart has been developed to clearly capture the processes used, and a separate finance mechanism spreadsheet has been created too, to monitor income and spending in relation to community benefit payments.

The Council have a knowledgeable S106 Officer in place, who demonstrated that they were aware of each of the improvement points highlighted during the audit and had already begun work to improve the processes involved.

We would like to thank all of the staff involved in the audit for their help in undertaking the review.

Managing Your Risks

Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

There is a medium risk relating to delivery of the Local Plan in the Strategic Risk Register. Although it does not mention S106, it does mention housing delivery and the delivery of Affordable Housing is a key obligation under many S106 agreements.

It is pleasing to note that during our audit work we did not identify any additional, significant risks. However, the relevant risks will be added to the departmental risk register.

Management Comments

It is acknowledged that the processes relating to the monitoring of S106 obligations are deficient and such monitoring has not been carried out for significant periods of time due to staffing resource issues in preceding years.

However the Council is confident that all of the risks identified below are not unexpected given the aforementioned and following the Strategic Alliance, steps were already in motion to address many of these challenges and issues.

Significant steps and work has been undertaken over the last 12-18 months to improve all of the deficiencies and address the risks. In particular around updating the register and completion of the new requirement for an Infrastructure Funding Statement. This is a labour intensive piece of work given the lack of investment historically and whilst not complete at the time of audit, this work is ongoing and will address all of the risks that have been identified in order to provide a robust arrangement.

PSPS Finance

One of the key areas that has resulted in complications is the interactions with other services to obtain required data. Of particular difficulty has been successful collaborations with PSPS Finance. It has become apparent that this communication channel has been breaking down resulting in late, inaccurate, or missing data being provided. This has severely hampered the efforts of Officers to produce an accurate register of S106 details to also made it difficult to accurately report via the IFS. There is ongoing work with PSPS Finance to ensure they provide suitable and adequate resources to enable S106 work to be carried out effectively.

S106 Obligations vs S70 Conditions

The key is in the legislation. Planning approvals can be granted conditionally subject to a range of conditions. This ability is given by Section 70 of the Planning Act 1990. The same Act gives ability for S106 et etc section etc. Finally the Act also gives the ability to vary both a S106 obligation and a S70 condition, but again through different sections and requirements.

The Planning Practice Guidance sets out when and how Planning Obligations (S106) and Conditions (S70) can be used and why. There is Case Law around this, but in short, Conditions are considered to be favourable to S106 where there is a choice between these tools. The Council makes its decisions regarding S106 v S70 Condition based on the PPG, Case Law and the specifics of the case.

It is acknowledged that contributions secured by condition must be monitored, collected, disbursed etc as with S106 contributions. However the mechanism for securing and enforcing them is fundamentally different. This audit is concerned with S106 obligations. Whilst this may seem like semantics it is important to maintain the distinction between the two. For example we do not have a requirement to report on obligations secured by condition in the IFS. It is suggested that the report needs amending to either update the scope to clarify/include this element, or to remove this element altogether.

Management and the Officers would like to extend thanks to the Audit Team for their assistance in helping us through this process smoothly. The Council would welcome a further audit in 12 months time in order to demonstrate that the required measures have been implemented.

Key Controls – Accounts Receivable – December 2022



Risk	Rating (R-A-G)	Recommendations*	
		High	Medium
Errors are not detected leading to incorrect payments or collection	Amber	2	
Non-compliance with regulatory requirements or internal policies/procedures	Red	6	4
Fraudulent Activity is not detected	Green		
Accounting records are inaccurate	Green		
Decisions are based on inaccurate information	Green		
TOTAL		8	4

* Multiple recommendations have been made for the 3 findings

Background and Context

Financial and accountancy services for East Lindsey District Council are provided by Public Sector Partnership Services Ltd, using the Unit4 Business World system (Unit4), which went live on 1st April 2021.

Scope

Key control testing is undertaken each year on finance systems and processes to enable the Head of Internal Audit to form an opinion on the Council's financial control environment and to help External Audit's control evaluation.

The purpose of this review was to provide assurance that that the processes and controls in place for raising, collecting and recovering debts are appropriate.

Key Messages

We have provided a 'Limited' assurance opinion, due to the financial impact of and the need to develop robust controls around the use of credit notes, the authorisation of subscription invoices and debt recovery. The remaining areas were found to be adequate with clear separation of duties within transaction processing.

Credit Notes

We found an overall lack of transparency and oversight around credit notes raised. There has been no monitoring or analysis of the usage of credit notes to ensure compliance with the Financial Procedure Rules. At least £500K of the £997K credit notes raised between April and July 22 relate to the management of a complex debt restructure agreement between ELDC and a customer.

We identified a credit note raised for £195K which had been allocated as part of this arrangement, which was for the incorrect amount. This has resulted in the customer debt being reduced by an additional £32K, at the expense of the Council.

We identified issues relating to the administration of this agreement and monetary approval limits for credit notes not being embedded into Unit 4, a budget holder can authorise a credit note of any value. Greater controls around the approval and monitoring of credit notes should reduce the risk of financial loss or misstatement and improve transparency of the actual debt and write off position of the Council.

Subscription (Recurring) Invoices

We found no evidence to support the approval of the subscription sales invoices tested as there is no clear audit trail of their set up in Unit4. This included an invoice valued in excess of £100K. Subscription invoices can be set up and issued by service areas without being thoroughly checked or approved in Unit 4 by the AR team. Increasing central oversight and control over the issue of subscription invoices should reduce the risk of inaccurate or unauthorised invoices being raised.

Debt Recovery

Recovery action has not always been undertaken on a timely basis in the absence of agreed working protocols or timescales between the AR team and service areas. Within our review we found debt that had been with service areas between 4-8 months for a debt recovery decision. Closer collaboration between the teams would help reduce the risk of unrecoverable debt and ensure more timely recovery action.

Areas of Good Practice

Our review identified clear separation of duties within transaction processing, and appropriate authorisation and reconciliations in place. We also found the following areas of good practice:-

- Independent authorisation of sales invoices
- Sales invoices promptly raised with supporting documentation
- Separation of duties between invoice request, production and recovery action
- Debt reminder letters issued in accordance with debt recovery protocol

Managing your Risks

Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our review we identified high risk areas around oversight and approval of credit notes and subscription invoices which we recommend for inclusion within the service risk register.

Management Response

- . The limited assurance for this audit is disappointing, however the findings are accepted.

Whilst recognising the finding and actions in the report may also require a response for ELDC services, and PSPS Finance colleagues, my response is from an Accounts Receivable perspective.

I am able to confirm work has already begun to resolve the agreed actions, and that we will work with client services to improve knowledge and awareness, and to ensure processes and AR controls are both appropriate and robust.

A number of the actions will require system / report development, and we will work closely with Finance colleagues to maximise functionality and system capability, and, in the meantime, ensure appropriate interim processes are in place, where appropriate.

I would like to thank the Auditors for the discussions in relation to the findings through this audit.

Sharon Hammond
Head of Revenues and Benefits

High

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

Limited

Our critical review or assessment on the activity gives us a a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

Low

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Summary of the number of outstanding Agreed Actions for all audits at 30th November 2022

Activity	Issue Date	Assurance	Total Agreed Actions (AAs)	AAs Imp	Priority of Overdue Agreed Actions		AAs Not Due
					High	Medium	
SELCP - Carbon Reduction 2021/22	May 22	Substantial	9	5	0	0	4
SELCP – Contract Management 2021/22	Jul-22	Substantial	11	0	0	3	8
SELCP – Patch Management 2021/22	Apr 22	Substantial	9	8	0	0	1
ELDC – Value Added Tax 2019/20	Oct-19	Substantial	7	5	0	0	2
ELDC Financial Services Key Controls 2019/20	Jul-20	Substantial	2	1	1	0	0
ELDC Procurement 2020/21	Aug-21	Low	13	9	0	0	4
ELDC New Finance System Support 2020/21	Nov-21	Consultancy	15	12	0	0	3
ELDC Health and Safety Magna Vitae 2021/22	Nov-21	Substantial	3	2	0	0	1
ELDC General Ledger and Financial Reporting 2021/22	May-22	Substantial	3	0	1	2	0
Sub Total			72	42	2	5	23

Activity	Issue Date	Assurance	Total Agreed Actions (AAs)	AAs Imp	Priority of Overdue Agreed Actions		AAs Not Due
					High	Medium	
ELDC – Payroll 2021/22	Jan-22	Substantial	9	8	0	0	1
ELDC - ICT User Education and Awareness 2021/22	Aug-22	Substantial	4	4	0	0	0
ELDC – Section 106	Sep-22	Limited	5	2	0	1	2
SELCP – Flood Management	Aug-22	High	2	0	0	0	2
TOTALS			92	56	2	6	28

Details of overdue actions for all audit at 30 November 2022

Audit	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
ELDC General Ledger and Financial Reporting 2021/22	High	The suspense account will be reconciled and reviewed on a monthly basis, and outstanding items dealt with more promptly. Due to the nature of the account, balances will always remain.	Deputy Chief Finance Officer (Corporate) (PSPSL)	31/07/22	31/07/22	None
ELDC General Ledger and Financial Reporting 2021/22	Medium	As above	Deputy Chief Finance Officer (Corporate) (PSPSL)	31/07/22	31/07/22	None
ELDC General Ledger and Financial Reporting 2021/22	Medium	The payroll account will be reconciled and reviewed on a monthly basis, with variances resolved promptly. The reconciliation will be redesigned to make it clearer and easier to complete and follow.	Deputy Chief Finance Officer (Corporate) (PSPSL)	31/07/22	31/07/22	None

Audit	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
ELDC - Financial Services Key controls	High	Revise approach to Asset Management and update the Framework accordingly.	Assistant Director – General Fund Assets	31/08/20	30/09/22	We are now in a partnership and this is a piece of work we should seek to align for all three Councils. Action rolled forward to 30 Sept 2022.
ELDC – Section 106	Medium	This will be managed through the appropriate internal channels to ensure that the service provision is as expected in the SLA and is appropriate to ensure financial monitoring is robust.	Planning Policy Manager	30/11/22	30/11/22	Ongoing CIPHR charged with providing a project implementation plan to CX and Head of HR &OD providing solutions for the priority issues with confirmation of what can be done and what cannot be done.
SELCP – Contract Management	Medium	Develop a Contract Management Procedure document which details guidance on all aspects of contract management.	Procurement Manager / Scrutiny Officer	31/10/22	31/10/22	None

Audit	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
SELCP – Contract Management	Medium	Training on Contract Management, ProContract and CPPRs will be developed and rolled out to all officers involved in contract management activity	Procurement Manager / Scrutiny Officer	31/10/22	31/10/22	None
SELCP – Contract Management	Medium	A review of the Contract Management module within ProContract will be undertaken in conjunction with key Contract Managers to assess its suitability	Procurement Manager / Scrutiny Officer	31/10/22	31/10/22	None

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
SELCP Flood Management	Adequate arrangements to prevent and respond to flooding are in place.	Q4	Feb 22	Aug 22	High Assurance
ELDC Good Governance Health check – Phase 1	To provide assurance that the Council's has a robust Governance Framework that is fit for purpose and aligns to best practice and the CIPFA framework.	Q3	Oct 21	Dec 22	Consultancy
ELDC Key Controls	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Q3	Mar 22	Dec 22	High Substantial and Limited Assurance.
ELDC - Housing Benefit Subsidy	To complete the review of the Housing Benefit Subsidy Claim.	Q1-2	May 22	Nov 22	High Assurance
SELCP - Value for Money	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.	Q2			Postpone
SELCP - Payroll	Full system review of new payroll system to provide assurance that the system is set up, operating effectively and appropriate controls are in place throughout the processes.	Q2	Sep 22		Fieldwork in progress
SELCP - Towns Fund	Attendance at board meetings, supporting role and highlight report	Q2			Include in 2023/24 audit plan, Q1.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
SELCP - Cloud Hosted Services	To review recent instances of cloud/hosted services to establish the due diligence undertaken in arriving at the selected option and security deployed through that arrangement	Q2	Aug 22		Draft report
SELCP - Good Governance Phase 2	To continue with our corporate governance work by providing assurance and support through benchmarking and testing the Council against CIPFA Good Governance standards and Framework.	Q2-3			Being prepared
SELCP - Risk Management	To provide assurance that there are effective arrangements in place to manage strategic, project, partnership and operational risks for the Council.	Q3			Scoping meeting
SELCP - ICT – Systems Security	A review of the arrangements for managing system access and restrictions, monitoring and reporting unauthorized attempts or challenges.	Q3			Being prepared
ELDC - Finance System Review	Full system review of new finance system to provide assurance that the system is set up and operating effectively	Q3			Being prepared
ELDC - Assurance Mapping	Updating the assurance map and completing the Combined Assurance report	Q3-4	Nov 22		Draft report

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
ELDC - Audit Follow Ups - Procurement	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes	Q3-4	Nov 22		Work in progress
SELCP - Virus Protection & Malware	To provide assurance that the risk associated with malware and viruses is mitigated through the use of appropriate security measures.	Q4			Scoping meeting
SELCP - ICT Project Management	A key area of low assurance raised in assurance mapping, we will provide assurance on ICTs ability to manage multiple projects for the Council.	Q4			
SELCP - Key Controls	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Q4			TOR agreed for Revenues
ELDC – Fraud Risk Register	To review and update the fraud risk register.	Q3			Work in progress

Changes to the Audit Plan

Audit	Rationale	Change	Approval
ELDC Fraud Risk register	Update the Councils fraud risk register to ensure it reflects current issues and national trends.	Added	Christine Marshall