CORPORATE GOVERNANCE   AUDIT MANAGER
AUDIT AND STANDARDS COMMITTEE   REPORT NO. AUD2303
27TH MARCH 2023

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:
This report describes:
- The work completed by Internal Audit since the last report;
- A progress update on the 2022/23 Audit Plan; and
- An update on outstanding audit issues.

RECOMMENDATION:
Members are requested to:
  i.   Note the audit work completed since the last update.
  ii.   Note the outstanding audit issues.

1   Introduction

1.1   This report is to provide Members with:
- An overview of the work completed since the update provided to the Committee in January 2023;
- A progress update on the 2022/23 Audit Plan; and
- An update on the outstanding audit issues, highlighting any significant risk exposures or control issues.

2   Audit Work Completed

2.1   The table below provides an overview of the assurance opinion, given to the completed audit since the last update:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
2022/23 Internal Audit Plan				
Alderwood follow up	N/A	N/A	N/A	N/A
Procurement	Limited	4	8	4
Cash Receipting	Reasonable	1	3	1
Taxi Licensing follow up	Substantial	0	1	2

2.2   Below is a summary of the key findings from the audits.

Alderwood Follow up

Majority of the recommendations made are no longer viable to implement, due to the change in circumstances since the audit recommendations were agreed, whereby the facility has been transferred to the school and no longer the control of the Council.

A project group, formulated of relevant officers, including Internal Audit, are overseeing the transfer of the facility to the school and ensuring that necessary governance and controls are in place. The transfer was finalised on the 1st March 2023.

Procurement

The procurement service has been run via a service level agreement (SLA) with Portsmouth City Council (PCC) since October 2021. Testing within the audit found that improvements have been made regarding compliance, evidence retention and documentation since the SLA with PCC started.

The Contract Standing Orders (CSO) are not being fully complied with across the Council. In addition to this, relevant documentation is not being maintained to provide supportive evidence of quotes, scoring, or tender evaluation carried out. Therefore, the Council may be unable to demonstrate value for money has been achieved or respond to challenges from unsuccessful suppliers. It should be noted however, that procurements PCC had been involved in were found to contain suitable evidence.

There is no suitable control framework in place to ensure that relevant contracts are included within the contract register upon execution. As a result, assurance cannot be given that the current version of the register is accurate and therefore the Council is not meeting the mandatory requirements of the Transparency code, in which the Council is required to publish details of all contracts above £5,000. This has been recognised and work is currently ongoing to update and verify the accuracy of the information held within the contract register.

The Council does not currently have enough guidance, training and procurement documentation in place, to ensure compliance of the CSO across the Council.

Cash receipting

The cash receipting system is audited on a three-year cycle as a key financial system. Since Covid-19 changes have resulted in seldom cash being taken at the Council offices. As a result, it is no longer relevant for this to be deemed

as a key financial system, especially as number of elements tested within this audit will be picked up within other audits of key financial systems which interface with the cash receipting system.

£908k is currently held on the Council's suspense account which is a large increase from the £19k balance held at the time of the previous audit. Finance is aware of this and are currently working with services to identify the amounts on the suspense account.

Reconciliations between cash receipting and interfacing systems have not been regularly carried out. Although, testing did not highlight any errors or delays with payments being shown on interfacing systems.

A cost code had been incorrectly set up on the cash receipting system so VAT was not correctly accounted for.

Taxi Licensing Follow up

The original Taxi Licensing review was undertaken in 2019-20 with an overall Limited level of assurance.

Since this review, the team has increased their scope of work but this also enabled a re-structure and an additional Administrator to join the team. There is now independent review for each application before approval, enabling anomalies to be resolved before the issue of licences.

Testing identified that the original key issues of incomplete applications, incomplete records on the Uniform system and financial errors in charging have all been addressed. The team have also been managing a notable increase in taxi licence applications since Spring 2021.

There are three findings included in the management action plan and a value-added observation within Section 5, which are intended to enhance the current good processes in operation.

Progress towards the 2022/23 Audit Plan

2.2   Since the last update to the Committee, there has been no further changes to the audits set out within the 2022/23 Audit Plan.

2.3   The table below provides a summary of progress to date (17/03/23):

Audit/ Audit follow up status	Number of reviews	%
Finalised	10	47.6
Draft report	7	33.3
In progress	4	19.1
Total	**21**	**100%**

NB: The figures within the table include 2 audits carried forward from the 2021/22 audit plan.

2.4   The audits remaining to be finalised will be completed and used to support the Internal Audit Manager's annual assurance opinion, which will be reported to this Committee in May.

3.   Outstanding High Risk Audit Issues

3.1   The high-risk issues identified are ones which require focus by the organisation in order to implement the actions agreed to mitigate the high-risk issues identified. Below the graph shows the number of high-risk issues identified against the number implemented as of March 2023.
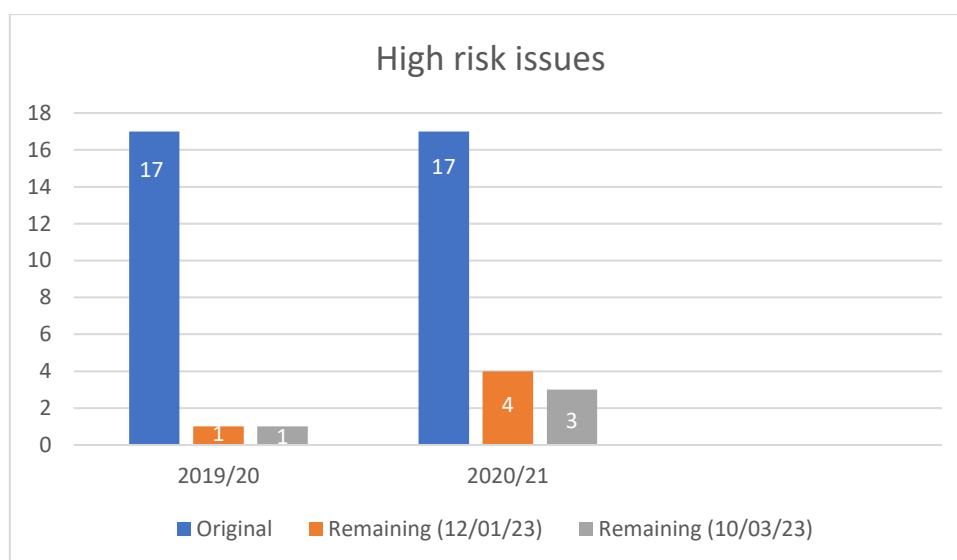
3.2   It is in the Audit Manager's opinion that sufficient progress is being made towards the high-risk recommendations. The 2 recommendations with regards to Purchase Ledger have had the implementation date extended due system changes being required and therefore testing within the test environment prior to going on the live system. However, there have been some issues within the test environment, which need to be rectified before going live.

3.3   The table below shows the expected completion date for these outstanding high risks.

Year recommendations made	Service Area	Audit	No. of high-risk recommendations	Expected implementation date	Total
2019/20	Finance/IT	PCI DSS	1	31/7/23	
					1
2020/21	IT	Application Patch Management	1	31/5/23	
2020/21	Finance	Purchase Ledger	2		
					3

4. Recommendation

4.1 Members are requested to note the information provided within the report in relation to the progress of Audit work to date towards the 2022/23 audit plan and the outstanding high risk audit issues.

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References: *Internal Audit – Audit Plan 2022/23*, presented to the Committee on 28 March 2022.
Agenda for Corporate Governance, Audit and Standards Committee on Monday, 28th March, 2022, 7.00 pm - Rushmoor Borough Council