

31st JANUARY 2024

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes:

- A progress update on the 2023/24 Audit Plan.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work completed.
- ii. Note the update to the deliverables for Quarters 4.

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed towards the 2023/24 audit plan;
- A progress update on the 2023/24 Audit Plan; and
- A schedule of work to be delivered in Q4.

2 Audit Work Completed

2.1 As previously reported to this committee in September 2023, there has been difficulty with recruiting to the Audit and Investigation officer posts. Contractors have been sourced to assist with delivering the remaining audits from the 2023/24 audit plan.

2.2 Due to the difficulty with recruitment, Senior Management have agreed that the internal audit and investigations service for future years will be provided through a structured partnership with contractors with oversight by the Service Manager – Audit. This will ensure stability and resilience for the effective delivery of the internal audit plan.

2.3 An external assessment on the internal audit service has been carried out by the Chief Audit Executive at Basingstoke BC. The assessment concluded,

'I have completed an external review of your internal assessment against the Public Sector Internal Audit Standards (PSIAS) and based on the information provided, I can confirm that Rushmoor Borough Council conforms with the PSAIS requirements.'

A few minor improvement points have been recommended to further enhance the service.

2.4 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
2023/24 Internal Audit Plan				
Cyber Security in the Supply Chain	Limited	2	5	3
Procurement Cards	Limited	4	5	0
Insurance Follow up	Limited	3	6	0
Purchase Ledger	Reasonable	2	6	1
Estates Management follow up	Substantial	0	2	0

2.5 Below is a summary of the key findings from the audits/ follow up's.

Cyber Security in the supply chain

The Council's arrangements for procurement/contract management are transitional, with changes at a senior and operational level. The Council's current focus is primarily on enhancing its 'core' procurement/contract management approach to better align with good practice. This process is supported by a Service Level Agreement (SLA) with Portsmouth City Council (PCC).

The current SLA with PCC does not include specific cyber risk in the supply chain support, although this could potentially be provided in future.

The Council does not currently have any defined arrangements to assess procurements for the risk they pose and put arrangements in place to manage the risk, appropriate to the scale of individual procurements, nor has any action been taken to review the existing contract portfolio for related risk and implement any enhancements necessary.

The IT Team has developed a set of questions (based on National Cyber Security (NCSC) guidance and supported by PCC), which are being used to ensure appropriate arrangements are in place for 'new' procurements. A 'live' procurement was reviewed by Internal Audit, confirming that this process is being followed appropriately.

The next and more substantial phase of work will be to review the existing portfolio of IT contracts and put any enhancements necessary in place. This phase has not yet started.

A cyber issue was previously investigated, and various recommendations made. A follow up was carried out as part of this audit. Since the investigation staff changes have occurred specifically the Purchase Ledger Manager and the Information Governance Officer. While the Purchase Ledger Manager has implemented some enhancements since coming into post, for example more robust challenging of the authenticity of requests for changes in payment details, this audit's conclusion is that the specific recommendations made have not been progressed.

Procurement Cards

Procurement Cards are used for low value, one off payments as an easy and cost-effective purchasing solution. The Procurement Card scheme was set up as a trial in 2009 and has not since been through official approval. As a result, the Council's Procurement Card Policy has not been finalised, or reviewed since 2009. The supporting Procurement Card User Agreement document was sighted however it was confirmed that there is no evidence that any Procurement Card holders have read and agreed to the document.

Restrictions on card use are detailed within the Procurement Card Policy. It was identified that 1.5% of the total transactions sampled were confirmed as not permitted by the policy.

The current monthly authorisation process does not have effective controls in place to ensure separation of duties between the cardholder and approver.

VAT receipts are not being provided for all transactions.

Request and approval documentation has not been recorded for any of the 26 individuals currently holding Procurement Cards. Additionally, evidence to support transaction limit approval is not available. One cardholder was highlighted as incorrectly holding a card with a transaction limit of £30,000.

There is currently no effective system to analyse Procurement Card Spend.

Insurance follow up

The Insurance audit was carried out in 20/21 and provided a limited assurance level.

Whilst changes to the insurance process have been made, key controls have still not been established. With the recent departure of the Finance Manager an appropriate handover of the knowledge of the insurance process has not been carried out, resulting in the risk, associated with only one person having knowledge and no procedure notes in place, materialising.

Clear documentation has not been maintained, therefore assurance cannot be provided that adequate insurance is in place for the Council. However, it should be noted that work is currently underway for re-tendering for insurance in which the recommendations from this report are being actioned. A further review will be carried

out to ensure that the recommendations have been implemented following the re-tender process.

Purchase Ledger

Purchases and expenses, excluding those made via procurement cards, are recorded within the Purchase Ledger. The Finance Team are responsible for monitoring and checking the invoices to ensure their accuracy and prompt payment. Part 4 of the Financial Regulation in the Councils Constitution - Finance Procedure Rules (FPR) - outline the standards the function should follow.

Non-compliance with FPR has been highlighted with regards to timeliness of payments, pre-payment requirements and the use of purchase orders.

Issues surrounding the use of Purchase Orders has been raised within the current and previous audits with a small percentage of qualifying purchased being raised via purchase orders.

A review of the Finance Procedure Rules is outstanding as it was recommended within the 2020/21 audit, to confirm exemptions to the use of purchase orders are accurate.

Not all supporting documentation is being recorded to support changes to supplier master data.

Estates Management follow up

The Property team has substantially developed since the last audit was carried out and provided a limited assurance level.

A property system is now in place which stores more effectively the information relating to properties owned by the Council. This system allows for better management of the properties and analysis. There is also greater communication between key services, namely Finance and Property.

Regular reviews of rental income are carried out and this is reported to the Capital Project & Property Advisory Group (CPPAG).

3 Progress towards the 2023/24 Audit Plan

3.1 Since the Committee approved the 2023/24 audit plan in March 2023, there has been no changes to the audits due to be completed. One audit has been carried forward from the 2022/23 audit plan.

3.2 The table below provides a summary of progress to date (17/01/24):

Audit/ Audit follow up status	Number of reviews	%
Finalised	3	19
Draft report	3	19

In progress	9	56
	15	94
Audits to be started	1	6
Total	16	100

NB: The figures within the table include 1 audit carried forward from the 2022/23 audit plan.

4. Expected Deliverables for Q4 2023/24

4.1 The work expected to be delivered in quarter 4 is detailed within the table below. These audits can be subject to change due to the evolving auditing environment. Updates on these will be provide at the next committee meeting:

Service	Audit/ follow up/descriptor
ELT	CREP – C/f from 2022/23
Property & Growth	H&S of Council Buildings - Review the process for H&S checks and related maintenance of Council buildings, including commercial assets.
IT	Intune mobile device management - To ensure that the implementation of the Council's new mobile device management is appropriate.
Finance	CIPFA financial code - To review the Council's compliance towards the CIPFA financial code.
ELT	Rushmoor Homes Limited - Review the processes in place for RBC involvement with RHL including the process for drawing down funding.
Operations	Serco Contract Management - A review of the Serco contract to ensure SLAs and additional costs are in line with the contract.
Democracy	Elections - Review of process and system changes and data security.
IT	Cloud CRM - A review of the implementation of the Council's cloud-based CRM system.
IT	Intune mobile device management - To ensure that the implementation of the Council's new mobile device management is appropriate.
Operations	Parking – Post transfer review of processes
People	Payroll - Key financial system reviewed on a 3-year cycle.
Regenerations/ Property & Growth	Capital Programme – Meads - A review of the acquisition of the Meads.
ACE	Homes for Ukraine fund - A review of the processes for the Homes for Ukraine funding.

Service	Audit/ follow up/descriptor
ACE	Financial Assistance to Organisations - Review of the ongoing grants given to organisations and the performance measures in place.

5. Update on outstanding recommendations

5.1 Progress has been made towards reducing the outstanding audit recommendations. A detailed update will be provided to this committee in March 2024.

6. Recommendation

6.1 Members are requested to note the information provided within the report in relation to the progress of Audit work to date towards the 2023/24 audit plan, and the expected deliverables for Q4.

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HEAD OF SERVICE: Peter Vickers, Executive Head of Financial Services and S151 Officer

References: *Internal Audit – Audit Plan 2023/24*, presented to the Committee on 27 March 2023.

[Agenda for Corporate Governance, Audit and Standards Committee on Monday, 27th March, 2023, 7.00 pm - Rushmoor Borough Council](#)