

**25<sup>th</sup> SEPTEMBER 2024**

**INTERNAL AUDIT – AUDIT UPDATE**

**SUMMARY:**

This report describes:

- An update on the audits finalised since the last update report to Committee in May 2024 for the 2023/24 audit plan.
- An update on the progress towards the 2024/25 audit plan.

**RECOMMENDATION:**

Members are requested to:

- i. Note the audit work completed.
- ii. Note the progress to date towards the 2024/25 audit plan.

**1 Introduction**

1.1 This report is to provide Members with:

- An overview of the work finalised for the 2023/24 audit plan;
- A progress update on the 2024/25 Audit Plan; and
- A schedule of work to be delivered in Q3.

**2 Audit Work Completed**

2.1 The Southern Internal Audit Partnership (SIAP) are assisting the Council with the delivery of the annual audit plan for 24/25. A proposal will be brought forward in order to provide a permanent audit capacity, via SIAP under a local authority collaboration agreement, which will be brought to the November Council, and this Committee will be consulted.

2.2 The table below provides an overview of the assurance opinion, given to the completed audits since the last update in May 2024:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
<b>2023/24 Internal Audit Plan</b>				
CIPFA Financial Management Code	Limited	2	0	0
Related Parties	Reasonable	1	3	0
Payroll	Reasonable	2	5	3
Parking	Reasonable	0	4	5

Cost Reduction Efficiencies Programme (CREP)	No opinion given due to the passage of time	0	0	0
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2.3 Below is a summary of the key findings from the audits.

#### CIPFA Financial Management Code

A CIPFA Financial Management Self-Assessment was not completed within the required timeframe. Details of completion were noted within the 2022/23 Annual Governance Statement. But no evidence to support this was sighted.

The newly appointed Financial Service Manager is undertaking the Self-Assessment however, this had not been completed at the time of audit.

Areas of improvement or current lack of evidence are evident under all 6 principles of the CIPFA Financial Management Code. One recommendation has been raised to cover all areas highlighted as requiring action.

#### Related Parties

Financial assistance is provided by Rushmoor Borough Council to related parties in the form of rent relief, rate relief, parking permits and direct grant funding. This audit focuses on direct funding awarded to Rushmoor Voluntary Services, Rushmoor Citizen's Advice and the Basingstoke Canal Management Committee (BCMC) and rate relief granted to Places for People Leisure Ltd and the British Heart Foundation shops in the borough. Review of the process for awarding financial assistance and compliance with terms and conditions of formal agreements identified the following weaknesses:

#### BCMC

- Breach of the terms of BCMC Memorandum of Agreement (MOA).
- Failure to retain formal notification of unilateral changes to terms.
- Failure to identify recent version of MOA – last version 2015.

Due to the assistance to BCMC no longer continuing best practice recommendations have been made regarding the weaknesses identified to ensure that lessons can be learnt.

#### CA and RVS

- Inaccuracies in Rushmoor Borough Council's published financial information relating to grants issued.
- Annual review & evaluation of outcomes from the financial assistance provided is not formally evaluated and reported to demonstrate if in line with the reason for the Council providing the assistance.
- Sanctions available to both parties insufficient to provide leverage.

### Payroll

The Council's payroll processes show strong assurance levels, ensuring accurate and timely processing of officer pay and correct handling of deductions and contributions. Segregation of duties is also effectively maintained. However, there's room for improvement in other areas, such as strengthening controls and management checks, including formalising procedural guidance for resilience and continuity. Enhancements are needed in reviewing exception reports to ensure all discrepancies are properly identified, investigated, and addressed.

The Council's management and monitoring of overtime payments raise significant concerns, which has reduced the overall level of assurance to Reasonable. Currently, minimal controls are in place to assess and control the business need for overtime, leading to the need for substantial improvements.

### Parking

Several good working practices were observed, such as timely implementation of internal management actions by the Parking Services Manager, existence of procedural guidance, effective cash reconciliation processes, timely response to PCN enquiries, and segregation of duties.

However, areas of improvement were identified, around the formalisation of some processes, and the processing of PCNs.

### Cost Reduction Efficiencies Programme (CREP)

The purpose of this audit was to enable the organisation to have assurance that the methodology adopted for the CREP savings programme was effective, structured, efficient and had appropriate governance arrangements in place, to inform future learning. The terms of reference were agreed by the Executive Director to review the following aspects:

- Cost reduction and efficiency identification.
- Evaluation and approval.
- Delivery elements for the Savings & Transformation Programme (STP).
- Reporting and monitoring.
- Governance arrangements

### Strengths

- Overall budget savings were achieved.
- CREP (and subsequently OBB) has had a positive impact on reducing the Council's deficit.
- Clear objectives were set out in the proposal documentation along with setting out comprehensive governance arrangement.

### Weaknesses

The key finding is it has been difficult to evidence the delineation of savings from specific proposals within the CREP from wider budgetary management.

The audit has identified lessons learnt in devising and matrix managing a savings programme across a wide range of disparate services that could be of future benefit in the current financial situation the Council is facing.

Due to timing this audit has primarily focused on the CREP methodology, which has subsequently been followed by the Savings Transformation Programme (STP) and Outcomes Based Budgeting (OBB) saving programmes. The lessons to be learnt resulting from the CREP process has not been tested by Audit to provide assurance of the degree to which these have been adopted and implemented in these subsequent programmes. However, it is key that these lessons are reflected in subsequent initiatives.

### 3 Progress towards the Audit Plan

3.1 The table below provides a summary of progress to date (17/09/24):

2023/24 audit plan progress

Audit/ Audit follow up status	Number of reviews	%
Finalised	11	69
Draft report	3	19
In progress	0	0
Audits removed	2	12
	<b>16</b>	<b>100</b>
Audits to be started	0	0
<b>Total</b>	<b>16</b>	<b>100</b>

2024/25 audit plan progress

Audit/ Audit follow up status	Number of reviews	%
Finalised	0	0
Draft report	1	8
In progress	4	31
Audits removed	0	0
	<b>5</b>	<b>39</b>
Audits to be started	8	61
<b>Total</b>	<b>13</b>	<b>100</b>

### 4. Expected Deliverables for Q3 2024/25

4.1 The work expected to be delivered in quarter 3 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	<b>Rushmoor Homes Limited</b> - Review the processes in place for RBC involvement with RHL including the process for drawing down funding. (23/24)

Service	Audit/ follow up/descriptor
Regenerations/ Property & Growth	<b>Capital Programme – Meads</b> - A review of the acquisition of the Meads. (23/24)
ACE	<b>Homes for Ukraine fund</b> - A review of the processes for the Homes for Ukraine funding. (23/24)
Property & Growth	<b>Building Control</b> – A review of the implementation of the new building control requirements.
Operations	<b>Disabled Facilities Grants</b> – To review the DFG process.
Operations	<b>Princes Hall</b> – To review the financial processes in place.
Finance	<b>Effectiveness of financial rules and processes &amp; compliance with financial regulations</b> - To review the effectiveness of processes in place and compliance.

## 5. Recommendation

- 5.1 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.

**AUTHOR:** Nikki Fleming, Service Manager - Audit  
07867 377484

[nikki.fleming@rushmoor.gov.uk](mailto:nikki.fleming@rushmoor.gov.uk)

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

### References:

*Internal Audit – Audit Plan 2024/25*, presented to the Committee on 20 March 2024.  
[Agenda for Corporate Governance, Audit and Standards Committee on Wednesday, 20th March, 2024, 7.00 pm - Rushmoor Borough Council](#)

*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](#)