



**INTERNAL AUDIT  
PROGRESS REPORT**

RUSHCLIFFE BOROUGH COUNCIL

NOVEMBER 2023

IDEAS | PEOPLE | TRUST

**BDO**

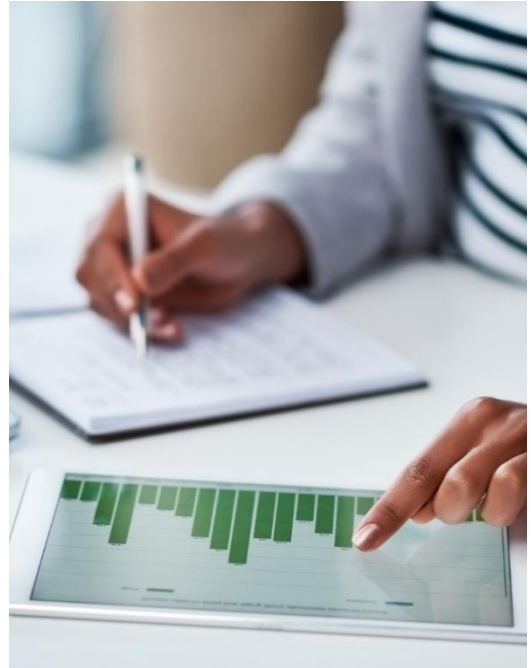
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# SUMMARY OF INTERNAL AUDIT WORK

## INTERNAL AUDIT

This report is intended to inform the Governance Scrutiny Group of the progress against the 2023/24 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



## INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either 'substantial', 'moderate', 'limited' or 'no'. The four assurance levels are designed to ensure that the opinion given does not gravitate to a 'satisfactory' or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

## 2023/2024 INTERNAL AUDIT PLAN

As part of the 2023/24 internal audit plan we have completed and are pleased to present the following report to the Governance Scrutiny Group:

- ▶ Reconciliations

We have commenced our scoping and planning of audits for 2023/24 reviews and expect to present the following reports the next Governance Scrutiny Group meeting:

- ▶ Governance of Partnership Arrangements
- ▶ Country Parks - Income
- ▶ Fleet Management.






## REVIEW OF 2023/2024 WORK

| AUDIT                                  | AUDIT COMMITTEE | PLANNING | FIELDWORK | REPORTING | DESIGN | EFFECTIVENESS |
|--|-----------------|----------|-----------|-----------|--------|---------------|
| Country Parks Income                   | February 2024   | ✓        |           |           |        |               |
| Fleet Management                       | February 2024   | ✓        |           |           |        |               |
| Fraud Report                           | June 2023       | ✓        | ✓         | ✓         | N/A    | N/A           |
| Governance of Partnership Arrangements | February 2024   | ✓        | ✓         | ✓         | Draft  | Draft         |
| IT General Controls                    | June 2024       | ✓        |           |           |        |               |
| Main Financial Systems                 | September 2023  | ✓        | ✓         | ✓         | S      | S             |
| Markets - Income                       | September 2023  | ✓        | ✓         | ✓         | S      | S             |
| Reconciliations                        | November 2023   | ✓        | ✓         | ✓         | S      | M             |
| Rushcliffe Oaks Crematorium - Income   | June 2024       | ✓        |           |           |        |               |



# RECONCILIATIONS

## CRR REFERENCE: 11 - FAILURE TO PREVENT OR DETECT FRAUD AND CORRUPTION

|                 |   |   |  |
|-----------------|---|---|--|
| Design Opinion  |  Substantial | Design Effectiveness  |  Moderate |
| Recommendations |  0           |  1 |  2          |



### SCOPE

#### BACKGROUND

- ▶ Reconciliations between the Rushcliffe Borough Council's (the Council's) financial system, E-Financial system, and other systems provide assurance that data held on systems is accurate and consistent. Discrepancies between systems should be investigated to identify errors or fraudulent transactions
- ▶ There are a range of systems that feed into the E-Financial system, including: the licensing system; Academy (revenue and benefits system); garden waste system; planning portal; land charges system, facility hire system and car loan system. These are uploaded by Finance Technicians daily or monthly, and the E-Financial system automatically fails to upload the reports if there are errors in the data, which the officers have to investigate. Other critical systems such as Civica (payment system), Resources Link (payroll system) and the HSBC Bank File have been reviewed as part of the Main Financial Systems audit which is undertaken annually
- ▶ The Council have a Finance Team which are responsible for processing monthly finance reconciliations, which are reviewed by a separate, senior officer. Reconciliations with third party systems are the responsibility of the relevant department. We have previously reviewed the Council's processes for bank, payroll, accounts receivables and other key balance sheet accounts as part of the Main Financial Systems audits, with only minor issues around the timeliness of payroll reconciliations identified.

#### AREAS REVIEWED

As part of the scope of this audit the following areas were reviewed:

- ▶ Policies and procedures in place to support staff in completing reconciliations to assess whether these were adequate, up-to-date and accessible to staff
- ▶ A walkthrough of the reconciliation process for control accounts to assess whether these had been performed in a timely manner following the month-end, and that discrepancies were investigated in a timely manner
- ▶ Reconciliations between April and June 2023 between E-Financials and the following systems to ascertain whether these are completed accurately and with a separation of duties -
  - Uniform - licensing system
  - Planning portal
  - Land charges system - Total Land Charges (TLC)
  - Booking for sports facilities (Pitchbooking system), rooms and halls (Switch system) and payment collection system (Stripe)
  - Annual payment schedule for car loans
  - Garden waste income
  - Control account reconciliations.

As each reconciliations follows a different process, we have outlined the process for each reconciliation below.

#### Planning Portal

The Planning Portal receives payments for planning applications submitted to the Council. A daily report is automatically sent to the Business Support Unit (BSU) to code payments to the appropriate cost centre. The report is then sent to the Finance Team to upload the payment receipt numbers on the report, before returning it to the BSU to clarify any payments that do not have a corresponding receipt number. The Uniform system is used to match receipt numbers and payments.

#### Land Charges

The Council use the TLC system to manage land searches. Land search requests are logged on spreadsheet with the address of the requestor, fees paid, date of payment, payment type and receipt number (which is generated on the TLC system when it is processed). The Council use four external organisations to complete the searches (National Land Information Service, InfoTrack, Quantas and TM Search). The Finance Business Partner reconciles the income receipts from the spreadsheet completed by the BSU and the E-Financials system. This is reviewed and signed off by the Land Charges Team.

#### Facilities Charges

The Council's sport facilities and events spaces can be booked by members of the public via Pitchbooking. Additionally, the Council allows its rooms to be hired for meetings/conferences, weddings, parties or other events. These are booked through the Switch online system. Electronic payments received through these platforms are processed through Stripe and directly remitted into the Council's bank accounts. The transactions from the Switch and Pitchbooking systems are downloaded and each payment is uniquely coded and allocated to the relevant facility, separating the VAT charge. The payment from the suspense account (through Stripe) is then reconciled to the cost codes on E-Financials that the bookings are allocated to.

#### Licensing

The Council provide licensing for taxis, private vehicle hire, alcohol and gambling premises, among other areas. Applicants must register for a license via the Council's website and pay a registration fee. The Licensing Team record applications/licenses on the Uniform system. The payment receipt is recorded automatically through E-Financials, with a semi-automatic reconciliation between the payment receipt number in E-Financials and Uniform.

#### Car Loans

A car loan scheme is available to staff that have a designated driver role as part of their employment. Repayment deductions are processed through the employee's payroll. Employee deductions are recorded on the repayment schedule which splits the principal loan payment and the interest payment for each staff member from their monthly pay. This is reconciled to the E-Financials system following the processing of the payroll each month.

#### Garden Waste

The Council charges residents £40 per annum for the fortnightly collection of the garden waste bin. There is an additional £25 charge for any additional garden waste bins for each household. Residents join the Garden Waste Scheme via the Council's website with an online payment. Most payments are received through the Civica payments system. Some payments are received through AllPay, using the bar codes on letters issued to residents by the Council. A daily report is automatically run from Civica at 11pm and checked by the Customer Services Team the following day to ensure the balance agrees with the balance in the suspense account.



### AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ The car loan reconciliation process was robust with detailed narrative and screenshots showing the system inputs into the reconciliations. Furthermore, evidence of the review and approval of the reconciliations was clearly documented, providing a robust audit trail
- ▶ Procedure guidance has been developed for each reconciliation, recognising the nuance of each process. These were up-to-date and accessible to staff, ensuring that there is clear support available on how to prepare the reconciliation, minimising inconsistent or inaccurate processes
- ▶ Variances were broadly investigated and amended for the reconciliations reviewed in this audit. While we noted the exception around investigating 'immaterial' variances (see Finding 2),



sufficient evidence was obtained to explain variances, ensuring the accuracy of information between systems

- ▶ There were robust procedure notes in place for the control account reconciliations, clearly outlining the monthly process. This includes saving reports for the control accounts in the shared Teams folder to provide an audit trail. We had a walkthrough of the monthly process which was clear. Furthermore, our review of the creditor and debtor reconciliations were completed within a reasonable timescale of the month-end with adequate documentation in place for each stage of the process.

| <br><b>AREAS OF CONCERN</b> | Finding  | Recommendation and Management Response  |
|--|--|---|
|  | Most of the third-party system reconciliations were not performed monthly by system owners. Rather, they were prepared in blocks of three to five months which could lead to delays in identifying and addressing variances (Finding 1 - Medium)   | <p>a. System Owners (supported by Finance Business Partners) should complete reconciliations within two weeks of the month-end to which they relate. This could be incorporated as standard practice into a centralised policy or the Financial Regulations</p> <p>b. All variances should be investigated prior to the reviewer’s sign off with evidence and explanations for the variances recorded on the reconciliation.</p> <p><u>Management Response</u><br/>                     The Service Manager Finance will incorporate the reconciliation requirements into the Financial Regulations to include completion dates, separation of duty, authorisation process, process note requirements and level of toleration of variances (zero). This will be communicated to system owners and checks incorporated into the budget monitoring process. However, this remains the responsibility of the System Owner supported by the Finance Business Partners.<br/>                     Target date: 30 November 2023</p> |
|  | Variances on the licensing system reconciliations (between Uniform and E-Financials) were not investigated as they were considered immaterial. While this is reasonable, the Council have not defined ‘immaterial’ in terms of the value of variances and not reconciling immaterial variances could lead to a failure to identify reporting errors or fraud (Finding 2 - Low) | <p>The Council should develop a policy statement that clearly outlines how variances should be managed and recorded in the reconciliation process. This policy should outline thresholds for immateriality.</p> <p><u>Management Response</u><br/>                     Note that this finding is only applicable to the licensing reconciliation. All other reconciliations that the Council undertakes all variances are investigated. As per response for Finding 1, this will be incorporated into the Financial Regulations with a zero threshold for immateriality.<br/>                     Target date: 30 November 2023</p>   |
|  | There is a lack of evidence retained for a separation of duties between the officers preparing and reviewing the reconciliations (Finding 3 - Low).  | <p>a. The Council should formally document in a reconciliation policy the requirement for a separation of duties. This should be incorporated into the process notes for each reconciliation</p> <p>b. Evidence of the review of reconciliations should be recorded either on the document or via email, with the date the reconciliation was prepared and approved.</p> <p><u>Management Response</u><br/>                     a. See response for Finding 1.</p>  |

|  |  |  |
|--|--|--|
|  |  | <p>b. System Owners will be reminded that reconciliations should be countersigned by a senior manager and this should be incorporated into the procedure notes.</p> <p>Target date: 30 November 2023</p> |
|--|--|--|



## CONCLUSION

Overall, the Council had substantial controls in place to support the management of reconciliations between E-Financials and third-party systems, and the reconciliation of control accounts.

Each reconciliation was supported by a reconciliation procedure note to explain the process. However, we noted that third-party system reconciliations were consistently completed in blocks of three to five months, rather than monthly, leading to delays in investigating variances. Although, there were not any significant variances identified from our testing. The reconciliations of car loans and control accounts were the exception to this, with reconciliation undertaken in a timely manner of the month-end.

Furthermore, for third-party system reconciliations, evidence of the preparer and reviewer of the reconciliation was rarely documented. This leads us to conclude that the control effectiveness was Moderate, driven by the non-timeliness of the reconciliations.



## SECTOR UPDATE

This briefing summarises recent publication and emerging issues relevant to local government that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior management and Members.

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### AUTUMN STATEMENT

The Government is due to announce its Autumn Statement on 22 November 2023 with challenges continuing to face the UK economy, notably that interest rates remain more than three times the Bank of England's consumer price index target of 2%. Consistent interest rate increases since 2021 have supplemented this and the Bank of England have forecast zero growth in the UK economy until 2025.

The Local Government Association wrote to the Chancellor of the Exchequer on 13 October 2023 to warn of the intense financial pressures facing councils. In its letter it identifies three priorities where it consider Government action to be vital:

- ▶ Addressing funding sufficiency and certainty issues faced by councils
- ▶ Taking steps to strengthen the local government workforce
- ▶ Strengthening councils' role in key national policy areas such as housing and net zero.

We will provide an update to the Governance Scrutiny Group on key announcements in the Autumn Statement that may affect local authorities.

[Autumn Statement 2023: LGA submission](#)

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#### FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

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### LEVELLING-UP AND REGENERATION ACT

The Levelling-Up and Regeneration Act received the Royal Assent in October 2023 supporting communities and local authorities to transform their local areas, putting local residents at the heart of development and building more homes in a way that works for the community. The Act will also seek to boost local services by placing additional requirements on developers to deliver vital infrastructure when building homes.

Among other powers, the Act creates new laws that will transform town centres by giving councils the powers to work directly with landlords to bring empty buildings back into use by local businesses and community groups, breathing life back into empty high streets. It also gives councils the powers to apply a council tax premium of up to 100% on second homes and homes that have been empty for more than one year, a reduction from two years currently.

The Secretary of State for Levelling Up, Housing and Communities, the Rt Hon Michael Gove MP, said in response to the Act receiving its Royal Assent "Our landmark Levelling-Up and Regeneration Act will deliver more homes for communities across the country and unleash levelling up in left-behind places. It will deliver revitalised high streets and town centres. A faster and less bureaucratic planning system with developers held to account. More beautiful homes built alongside GP surgeries, schools and transport links, and environmental enhancement. Communities taking back control of their future with new powers to shape their local area. And our long-term levelling up missions enshrined in law".

Alongside these changes, the Government expect to publish its response to the National Planning Policy Framework consultation undertaken in December 2022 which will outline how planning policies in England are expected to be applied to deliver right homes in the right places.

[The Levelling-up and Regeneration Bill becomes law from 26 October 2023](#)

#### FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

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## BEST VALUE STANDARDS AND INTERVENTIONS

In July 2023 the Government established the Office for Local Government (Oflog) as a new performance body for local government, as part of the Department for Levelling Up, Housing and Communities. Oflog have published a Best Value Standards and Intervention Guide to advise local authorities on best and worst practice against a range of key areas. This guidance identifies seven best value themes which demonstrate effective arrangements. These are summarised as:

- ▶ Striving for continuous improvement, including external challenge from peers and a collective responsibility to improve performance across the sector
- ▶ Effective political and administrative leadership demonstrated by a clear corporate vision, strong financial management and positive behaviours
- ▶ Robust decision-making and scrutiny functions to ensure decision-makers are accountable and consider risk in all its decisions
- ▶ A commitment to promoting transparency, cooperation and trust, and the highest ethical standards underpin the organisation's culture
- ▶ A strong internal control environment to ensure effective deployment of resources, supported by clear and transparent financial reporting and accountability of budgets. Organisation should also consider its skills and capacity before entering into higher risk projects or companies arrangements
- ▶ Effective service delivery that complies with statutory requirements with transparent and regular reporting to management
- ▶ Collaborative engagement with partners and local communities (including residents) to improve efficiencies and support a co-design of services provided by the organisation.

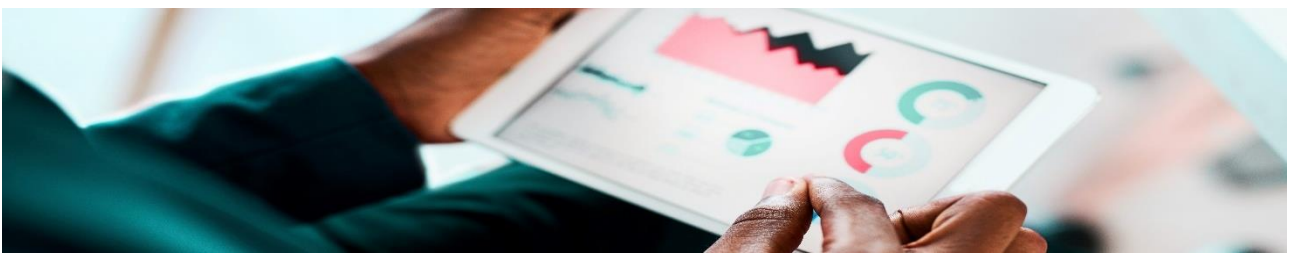
The guidance provides examples of characteristics employed by best value and worst value local authorities.

Department for Levelling Up, Housing and Communities: Best Value Framework





### FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

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## KEY PERFORMANCE INDICATORS

| QUALITY ASSURANCE  | KPI   | RAG RATING  |
|--|---|---|
| The auditor attends the necessary, meetings as agreed between the parties at the start of the contract | All meetings attended including Governance Scrutiny Group meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Director or Audit Manager.  |    |
| Positive result from any external review   | Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.   |    |
| Quality of Work  | We have received two survey responses for 23/24 with scores of 4/5 on both for the overall audit experience. We also received individual scores of 5/5 for the added value from the report and the constructiveness of our recommendations. We will continue to send surveys out to officers with final report. |    |
| Completion of audit plan   | We are in line with our schedule for the 23/24. Five of the nine reviews for 23/24 are either finalised or at the reporting stage, with the remaining four review fully scoped and set to commence later in the year.   |  |

# APPENDIX I

## OPINION SIGNIFICANCE DEFINITION

| LEVEL OF ASSURANCE   | DESIGN OPINION   | FINDINGS FROM REVIEW   | EFFECTIVENESS OPINION   | FINDINGS FROM REVIEW   |
|--|--|--|---|--|
| Substantial<br> | Appropriate procedures and controls in place to mitigate the key risks.  | There is a sound system of internal control designed to achieve system objectives.                       | No, or only minor, exceptions found in testing of the procedures and controls.  | The controls that are in place are being consistently applied.                                     |
| Moderate<br>    | In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.                                  | Generally a sound system of internal control designed to achieve system objectives with some exceptions. | A small number of exceptions found in testing of the procedures and controls.   | Evidence of non compliance with some controls, that may put some of the system objectives at risk. |
| Limited<br>     | A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.                                       | System of internal controls is weakened with system objectives at risk of not being achieved.            | A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.   | Non-compliance with key procedures and controls places the system objectives at risk.              |
| No<br>        | For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework. | Poor system of internal control.   | Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework. | Non compliance and/or compliance with inadequate controls.   |

## RECOMMENDATION SIGNIFICANCE DEFINITION

### RECOMMENDATION SIGNIFICANCE

#### High



A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.

#### Medium



A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.

#### Low



Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



**FOR MORE INFORMATION:**

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