CITY OF YORK COUNCIL

AGENDA SUPPLEMENT

Audit and Governance Committee

To: Councillors Pavlovic (Chair), Fisher (Vice-Chair), Lomas, Mason, Wann, Webb and Carr

Date: Wednesday, 6 April 2022

Time: 5.30 pm

Venue: The George Hudson Board Room - 1st Floor West Offices (F045)

The Agenda for the above meeting was published on **29 March 2022.** The attached additional documents are now available for the following agenda item:

7.   Internal Audit & Fraud Plan & Progress   (Pages 1 - 32) report
This supplement includes three internal audit reports these are supporting documents to the agenda item available online.

This agenda supplement was published on **29 March 2022**

This page is intentionally left blank

Headlands Primary School

Internal Audit Report 2021/22

Headteacher: R Ellis
Date Issued: 21 March 2022
Status: Final
Reference: 15691/019

	P1	**P2**	**P3**
Actions	0	0	4
Overall Audit Opinion	Substantial Assurance		

▲Veritau

1

Summary and Overall Conclusions

Introduction

This audit was carried out on 1st and 2nd February as part of the internal audit plan for People Directorate for 2021/22. In response to guidance proposed by the Department of Education, key members of City of York Council's finance team and school business management team confirmed they would benefit from period full school audits across the maintained schools in the city. All schools selected for these audits are done so in accordance with a detailed risk assessment.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to governors, the head teacher and management that internal controls within school and its systems are operating effectively to manage key risks both of a financial nature and otherwise.

The audit covered the following areas in accordance with the specification:

- Governance
- Financial management
- System reconciliation
- Contracts – ordering, purchasing and authorisation
- Income
- Capital and property
- Additional school activity provision
- Human resources
- Payroll
- School meals
- Data protection and information technology
- Insurance and risk management
- Inventory records
- Security and
- Safeguarding arrangements.

Key Findings

Overall, systems and controls within the school were working effectively with records clear and well maintained.

A review of governance confirmed that meetings for both the full governing body and the finance committee take place, and are attended, in line with the terms of reference. There is a policy schedule in place that is used so that all policies and delegated permissions remain in

Veritau

date and relevant to the current school environment. There is a good level of financial transparency throughout both staff and governors in school, with budget monitoring reports produced frequently to enable discussion and scrutiny by governors and members of the finance committee. The correct budget setting and revision procedures are being adhered to and a report by the school business manager (SBM) helps to highlight and provoke discussion around any budget variances. However, three governors were found to not have current declarations of interest documented in school.

Testing of expenditure from the school bank account did not highlight any misuse or inappropriate purchases. There was a good level of evidence to support the correct use of purchase orders where necessary and all goods and services reviewed had been receipted with payments made accurately and promptly. A contract schedule is maintained in school, however this needs expanding to include review and end dates. The schools works with other schools in the area to save money on joint resources and has encouraged all staff to consider best value when considering the purchase of items and services. The school was reminded to ensure that any best value or procurement exercise is documented with evidence of quotations from alternative suppliers retained. The school fund account was off site, undergoing an independent check, at the time of the audit and could not be reviewed.

Income is now almost fully dealt with electronically and is used for school meal money for pupils as well monies due for the use of facilities in letting arrangements. Debt owed to the school was at zero and a standardised approach to debt management is in place should issues arise with late or non-payment. Reconciliations, of the school meal provision by an external catering company, are carried out frequently and any discrepancies are queried immediately. Lettings had been invoiced for by the school and insurance certificates and agreements had been retained to support the use of facilities by any external party. In relation to the checking of insurance, this had also been carried out for any works carried out on school grounds.

A review of the HR files of staff along with pay records confirmed that new starters are added to the payroll promptly and leavers are removed as necessary without delay. A check of the payroll against the current staffing list did not identify any discrepancies and there was evidence to confirm that the staffing budget is reviewed regularly. Overtime is preauthorised by the head teacher and is paid in relation to completed and signed timesheets. Although changes to payroll are reviewed by the head teacher, the payroll output reports are currently being checked solely by an officer who also has access to make changes and submit new information for payment.

Absences are recorded on a central document maintained by the SBM and supporting documentation is retained for maternity and sickness. Return to work interviews are not always being held with staff who are coming back to work following a sickness absence, but daily meetings do make the head teacher aware of any absences in school.

The Department of Education's 'Keeping Children Safe' training is delivered to all staff on induction and an information pack is available to apprentices, volunteers and those on work experience. The head teacher is currently on the MyLo waiting list and has been since 2020 when their Safer Recruitment training expired. As a result of the Covid-19 pandemic, there is a significant backlog of training delivery at the council. The head provided evidence to confirm that alternative training routes had been considered including the NSPCC's delivery of paid-for training. All staff undergo intense training surrounding child protection every three years and refresher days take place annually.

▲Veritau

Security of both information and tangible assets is well maintained with data protection procedures in place as well as an inventory of all physical goods. The disposal of records and assets is recorded with certificates received and retained. Veritau Ltd is the DPO (data protection officer) for the school and therefore there is a good level of guidance available to staff and governors in relation to data protection.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

▲Veritau

1 Declarations of interest

Issue/Control Weakness	Risk
Declarations of interest were not available for three governors.	Related party checks cannot be undertaken and governors are able to influence financial decisions that lead to personal gain.

Findings

There were three governors who did not have registered declarations of interest documented in school despite participating in recent meetings. Two of these missing declarations were in relation to new appointments and one related to the annual review of interests for one long standing governor.

Recommendation

School should follow-up the declarations for the three governors as soon as possible. Going forward, the school should seek to obtain declarations of interest for any new governors on the first day of appointment.

Agreed Action 1.1

Clerk of governors has been asked to follow up this action and, going forward, requested to ensure all new governors complete the correct forms on appointment. The current final declarations will be published on the school website when complete.	Priority	3
	Responsible Officer	SBM
	Timescale	31st March 2022

Veritau

2 Contract schedule

Issue/Control Weakness	Risk
The school's contract schedule does not capture the end dates of contracts held on the notice periods for these.	Contracts are left to automatically renew and this causes unintentional overspend or spend above any best value sought during a review and procurement exercise.

Findings

A contract schedule is maintained in school and this details the supplier and service. However, the current document does not include the end dates or notice periods of any contracts held.

The current approach is heavily reliant on the knowledge of the school business manager and the contract schedule could not be implemented effectively by another or new member of staff.

Recommendation

The school should expand the contract schedule to include the end dates of the contracts held, as well as any notice periods agreed.

Agreed Action 2.1

The contract schedule now includes a column with date of expiry of contracts and any notice periods agreed. A copy of the schedule is included in the current budget file held in SBM's office and can therefore be accessed if necessary.	Priority	3
	Responsible Officer	SBM
	Timescale	Completed

Veritau

3 Return to work interviews

Issue/Control Weakness	Risk
Return to work interviews are not being held consistently.	Issues are not identified efficiently and these are allowed to escalate, leading to further illness and/or action being taken against the school.

Findings

Return to work interviews are not being held consistently with staff coming back to the workplace following a period of absence. At present, the head teacher is the only member of staff hosting the interviews and therefore it is sometimes difficult to hold these on a timely basis.

Recommendation

The school should consider whether another member of staff can be made responsible for holding return to work interviews to alleviate some of this duty from the head teacher. Return to work interviews should be held as soon as possible and preferably on the employee's first day back.

Agreed Action 3.1

Return to work procedure implemented and notified to all staff on 1 March 2022. Going forward, head and deputy head will share the responsibility of holding return to work interviews.	Priority	3
	Responsible Officer	Head & SBM
	Timescale	Completed

Veritau

4 Payroll checks

Issue/Control Weakness	Risk
Payroll reports are not currently subjected to independent checks of accuracy and validity.	Amendments to pay are made fraudulently and are not identified meaning the school suffers avoidable financial loss.

Findings

A review of several payroll records confirmed that payments made to staff were done so accurately, appropriately and in relation to any supporting evidence required.

All changes to payroll documents are reviewed by the head teacher, however, the payroll output reports are currently being checked solely by an officer who also has access to make changes and submit new information for payment. If an amendment document was not produced, changes could be made to the payroll that would be undetected without this independent review.

Recommendation

The monthly payroll reports should be checked and countersigned by a second officer who is independent of the data input process against supporting information.

Agreed Action 4.1

From the payroll process for February 2022 onwards, the peri-finance officer will carry out an independent check of the monthly payroll reconciliation reports in addition to the checks carried out by the school business manager.	Priority	3
	Responsible Officer	SBM
	Timescale	Ongoing

▲Veritau

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

▲Veritau

▲Veritau

Main Accounting System 2021-22

City of York Council

Internal Audit Report

Business Unit: Customer and Corporate Services Directorate,
Responsible Officer: Chief Finance Officer (S151 Officer)
Service Manager: Systems Accountant
Date Issued: 15th February 2022
Status: Final
Reference: 10120/015

	P1	P2	P3
Actions	0	1	2
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The Financial Management System (The FMS) is the fundamental financial accounting system used by the council. The system records all financial activity undertaken by the council. This includes gross expenditure on services in 2020/21 of £567m and total expenditure on capital schemes of £92m.

The FMS also records all financial decisions made by the council in the form of a budget. The FMS is used to prepare the council's annual accounts, financial returns and for budgetary control. The FMS is made up of Civica Financials, which includes integrated modules for general ledger, debtors and creditors, and is integrated to the purchasing system Civica Purchasing.

Objectives and Scope of the Audit

The purpose of this audit is to provide assurance to management that procedures and controls within the system will ensure that:

- Control accounts and bank reconciliations are carried out regularly.
- Transactions are transferred accurately from feeder systems into Civica Financials.
- The integrity and security of the main accounting system is maintained.
- Responsibilities and processes for journal entries, virements and year end processing are appropriately defined and allocated.
- Transactions are accurately valued and allocated correctly within the general ledger.

This audit focused on the arrangements for the overall governance of the system and the controls and risks related to the general ledger. The debtors and creditors (including purchasing) systems are audited as separate entities.

Key Findings

It was found the bank reconciliations were being undertaken as expected during the year, and at the end of the financial year, with no issues being noted. The list of control accounts maintained by the finance team was not complete because most accounts on the list did not give the member of staff who was responsible for monitoring the account nor the frequency with which it should be monitored. Although the working papers for managing suspense and control accounts are not always documented, no significant issues were noted when a sample of control accounts were reviewed.

Feeder files were being accurately and promptly transferred onto the FMS once authorisation had been received from an appropriate person, with access to the import directory also suitably restricted.

There are appropriate controls in place to ensure that the integrity of the FMS is maintained, with user access being limited to tasks that are necessary for their role. It was, however, noted that were that there are 19 members of staff with 'full access' to the FMS which means that they can perform all actions within the system as part of the systems administrator role. Consideration should be given as to whether this number should be reduced. A list of council officers who can authorise new users is maintained on the Council's intranet. A review of a sample of new user requests confirmed that these had received approval from those authorised individuals. An annual user audit was also carried out in December 2020 and corrective action taken where access was no longer required or needed to be amended. The procedure notes for the FMS available to staff on the intranet were also found to be out of date, relating to the previous version of Civica and not the current, web-hosted version.

Journals and virements were being accurately and promptly processed on the FMS. It was noted that a proportion of both virements and journals were being created and authorised by the same officer but this issue is known to staff in the finance team who are prepared to accept the risks associated with this so that items can be quickly and efficiently processed on the FMS. The Council's Financial Regulations require that requests for virements are made in writing to the Chief Finance Officer or one of their representatives. However, a sample of virements was reviewed with cases being identified where virements had been processed based on discussions with the budget holder; without evidence that the Chief Finance Officer had been notified.

Access to set up new detail codes and analysis codes is restricted to staff with 'full access' to the FMS. A review was undertaken of miscellaneous income codes which confirmed that the balances on them were reasonable. This suggests that these codes are being reviewed with sufficiently regularity and appropriate action taken to recode income to the correct area on the ledger.

Overall Conclusions

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

Veritau

1 Monitoring of control accounts

Issue/Control Weakness	Risk
Many control accounts do not have a member of staff who is assigned to monitor them on a regular basis.	Information on the FMS is incorrect because unreconciled transactions are left in suspense or control accounts rather than being transferred to the correct code on the general ledger.

Findings

A list of control accounts is maintained by the finance team. However, the details relating to the individual who monitors the account and the frequency with which the account should be, and was, reconciled was not given in 81 of the 110 control accounts that were on the list.

A sample of 10 cases was taken where no officer was listed as reconciling the control account and it was found that in four of these accounts there were numerous transactions that related to benefits, VAT monies or Debt Relief orders; these should be monitored regularly by a named job title or service. The other six accounts in the sample of cases were deposits or other balances that had not changed during the year and were rolled forward into the next year and therefore may not need monitoring on a regular basis.

Agreed Action 1.1

All control accounts are reconciled at the year end as a minimum. Accountants are therefore aware of the control accounts in their area and the nature of the transactions and the need to monitor some more frequently. Maintaining a list not directly linked to FMS would not give greater assurance and so a report will be provided, set to run automatically each month, and emailed to the principal accountants showing the control account balances in each area. Such a report will highlight any accounts that give cause for concern.

Priority	3
Responsible Officer	Systems Accountant
Timescale	31st March 2022

Veritau

2 The number of users with Systems Administrator access to the FMS

Issue/Control Weakness	Risk
There are 19 members of staff who have 'full access' to the FMS. No review has taken place to confirm that this number of system administrator users is appropriate.	Inappropriate changes are made to the FMS.

Findings

There are currently 19 members of staff who have 'full access' to the FMS so that they can perform systems administrator roles within the system such as setting up new users, changing the coding structure and downloading transactions onto the FMS.

The 19 members of staff comprises 3 members of staff in the System Accountant's team and 16 members of staff in the ICT team. Although staff in both teams need to have 'full access' to the FMS to be able to perform administrator tasks within the system, a review of the number of users should be undertaken to confirm whether as many as 19 members of staff should have 'full access' to the FMS.

Management Response

A review has been undertaken by the ICT team manager and it has concluded that all users should continue to have full access to the FMS.

▲Veritau

3 Guidance notes for the FMS system

Issue/Control Weakness	Risk
The guidance documents on the intranet to help budget managers use the FMS are out of date.	Budgets holders are unable manage their budgets effectively because they cannot find pertinent information on the FMS.

Findings
There is a guidance document on the intranet that tells users how to find detail codes, cost centres and ledger codes. This document is designed to help staff use the FMS system in their role as a budget holder. The guidance document is now out of date because the FMS system has recently been updated to become a web-based system. The document tells users how to find codes in the old system but because the new system operates differently the notes are no longer usable. The notes should be updated so that they can be used for the current web-based FMS system with the existing notes being removed from the intranet.

Agreed Action 3.1

The web-based version of Civica works in much the same way as the previous system, so much of the guidance document content remains relevant. However, a review of all intranet pages containing information and attached guidance on the FMS will be undertaken to ensure that these can continue to be used by officers.	Priority	3
	Responsible Officer	Systems Accountant
	Timescale	31st March 2022

Veritau

4 Written evidence to support virements

Issue/Control Weakness	Risk
Written evidence is not always being kept to authorise virements.	Service priorities are changed because the budget has been adjusted without the necessary approval.

Findings

The Council's Financial Regulations state that 'All virements be notified in writing to the Chief Finance Officer or his/her nominated representative.'

A review of a sample 10 virements identified three cases where virements, relating to three different directorates and amounting to just under £38,000, had been processed based on discussions between the budget holder and the relevant member of staff in the finance team, with no written record kept of this. It was therefore not possible to confirm that the Chief Finance Officer or their nominated representative had been notified, as per the requirement of the Council's Financial Regulations. It was also noted that only two of the ten virements in the sample were recorded in the virement log which is maintained by the Finance teams and is meant to record all virements that are processed. Neither of these two virements had the documentary evidence or a link to the evidence recorded in the virement log to confirm they had been approved by the budget holder or service manager.

Agreed Action 4.1

The process of making virements including the need to provide evidence that the virement has been seen and is approved by the budget holder at the relevant level for the value of the virement will be re-sent to all members of the Finance team. The possibility that the virement logs can be kept within the FMS system and the evidence attached will also be investigated.	**Priority**	2
	Responsible Officer	Systems Accountant
	Timescale	31st March 2022

Veritau

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Veritau

Veritau

This page is intentionally left blank

Ordering and Creditor Payments

City of York Council

Internal Audit Report 2021/22
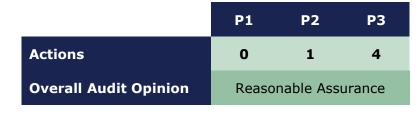
Business Unit: Corporate Services
Responsible Officer: Director of Customer and Communities
Service Manager: Head of Business Support
Date Issued: 14 January 2022
Status: Final
Reference: 10180/012

	P1	P2	P3
Actions	0	1	4
Overall Audit Opinion	Reasonable Assurance		

▲Veritau

Summary and Overall Conclusions

Introduction

Ordering and creditor payment systems are audited regularly because of their importance to the Council's operations, the value and volume of transactions, and the potential for fraud. Creditor payments is a key service within the Council, having processed approximately £261m worth of payments and over 60k transactions in 2020/21 to December 2020 and over £354m and 106k transactions in 2019/20.

Completion of purchase orders is a key part of the Council's financial regulations and since December 2012 the Council has had a 'no purchase order, no payment' policy. Purchase orders are vital in controlling Council expenditure, achieving best value and realising efficiencies in the 'purchase to pay' system.

The creditor payments service is also responsible for ensuring that invoices are appropriately authorised before payment and that they are paid promptly according to council targets and supplier requirements.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Creditors procedures are complete and up to date, users are trained and user access is suitably controlled.
- The ordering process is robust and the official system is used for purchasing goods and recording when these have been received.
- Payments are only made for valid invoices, for the correct amounts, and to legitimate suppliers.
- Non-standard (i.e. without an order or invoice) creditor transactions are correctly accounted for by the creditors system and related accounting records.

Due to the COVID-19 pandemic, the 2019/20 audit was not finalised. Therefore, the three findings from the 2019/20 audit were revisited as part of this audit. The audit also reviewed changes made to ordering and creditor processes due to the COVID-19 pandemic to establish whether risks arising from these changes were suitably controlled.

Key Findings

The Coronavirus pandemic had an unprecedented impact on the Council's capacity to maintain its core activities. Team members were required to adjust to remote working and some processes that were previously partly paper-based had to become electronic quickly. Nevertheless, we found that controls largely continued to operate effectively. However, there were several issues identified, some of which were partly the result of the demands place upon the service by the pandemic.

Veritau

A robust process is in place for the management of Civica Purchasing user accounts. New users are approved by an appropriate officer and users receive the required training before their account is set up. An annual review of user accounts is also undertaken to ensure that user profiles and authorisation limits are up to date and access removed as necessary.

The Council operates a 'no PO, no pay' policy. Some exemptions are applied, but the supplier has to be approved in advance. Analytical review of transaction types revealed that 73% of transactions in 2020/21 were of the type requiring a purchase order (PO). Although the current trend is downwards (reducing from 80% in 2018/19), overall the ordering system is being used appropriately.

According to the 'no PO, no pay' policy, POs should be raised prior to invoicing to ensure proper budgetary control and to ensure that orders are appropriately authorised. Exemptions to the policy should only be for pre-approved suppliers or types of goods and should only be applied in a small number of cases. However, we found that 44% of transactions associated with POs in 2020/21 had an invoice dated prior to the PO date, indicating a significant number of POs were raised after the order was placed with the supplier.

Purchase orders should only be approved by officers with sufficient delegated authority. The use of data analysis software confirmed that all purchases are authorised and goods receipted correctly, with appropriate separation of duties. Gap analysis of purchase order numbering did not identify any issues with sequencing.

However, an issue was found with the way the purchasing system reports data relating to who has approved purchase orders. Initially, the data appeared to show that the same officer had both raised and approved several orders. Review of audit trails confirmed this was not the case, but there appears to an issue with how the system reports this information. The same issue was found in the 2019/20 audit.

A review of invoices that could not be matched to purchase orders found that there was evidence of sufficient approval being received and it was attached to FMS. Invoices appeared genuine, recorded the correct details and were appropriate for the section.

There is an agreement corporately that Business Support can raise a PO for anyone in the Council and service level agreements are in place with some service areas. In some instances, the PO will also be authorised by Business Support. In a small number of areas within the authority, we found that the PO request form was not retained and no record was kept of who submitted the request. There is a risk that Business Support staff are not sufficiently protected against fraud and error when raising and authorising POs on behalf of service areas and that evidence is not available that an appropriate person within the service area has authorised purchases.

If an invoice value varies from the value of the PO raised it is automatically paid if it is within a defined tolerance. Variances above the tolerance limit require additional authorisation. A small percentage of POs had invoices that exceeded the tolerance limits. A sample was reviewed and it was confirmed that additional approval was obtained from an appropriate manager with sufficient delegated authority.

Review of new creditor accounts confirmed that the procurement team had authorised the creditor to be used for purchasing. Analysis of active creditor accounts identified around 6% were duplicates based on bank account details. This was also raised in the 2019/20 audit.

△Veritau

Comparison of current creditor accounts to a current staff list identified 1.3k matches between staff and creditor bank account details. Further analysis found many staff had been set up as creditors to receive payments, particularly payroll-related transactions, but where accounts were no longer required they had not been suspended. Some staff bank details matched to multiple creditor records, partly due to the way in which some bank account types were recorded.

A review of non-standard transactions confirmed that a proforma had been completed, contained a segregation of duties, and had been appropriately authorised in most instances. The proforma does not record the name of the raiser or authoriser of the payment, however the email trail authorising the payment is saved to FMS with the form embedded in it.

The third finding from the 2019/20 audit was that the Purchase to Pay (P2P) performance dashboard was not working. No solution has been found and it is not currently being worked on because the dashboard information was not being used.

Overall Conclusions

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

△Veritau

1 Purchase orders are raised after the invoice date

Issue/Control Weakness	Risk
A large proportion of purchase orders are raised after the invoice date.	Goods and services may be ordered that the Council does not require.

Findings

Purchase orders (POs) should be raised prior to goods receipting and invoicing to enable proper budgetary control and to ensure that orders are appropriately authorised prior to being raised and goods received.

While we acknowledge that the pandemic will have inevitably caused some disruption, an analytical review of all transactions in 2020/21 showed that 44% of invoices were dated prior to the purchase order (11.2k invoices). On average, these invoices were dated around 37 days prior to the purchase order date. Around 5k were dated within 10 days of the purchase order. However, this leaves a significant number of invoices (over 6k) that were dated more than 10 days before the purchase order date.

Exemptions to the 'no PO, no pay' policy should only be for pre-approved suppliers or types of goods and should only be applied in a small number of cases. However, this result shows that a significant number of purchase orders are raised after the order is actually placed with the supplier.

Agreed Action 1.1

The Creditors team will review the testing results to identify areas within the authority where there may be issues with the practice of raising POs. Targeted communications will then be issued to internal management reminding them of the current policies.	Priority	2
	Responsible Officer	Business Support Manager
	Timescale	28 February 2022

▲Veritau

2 Civica audit trail reporting

Issue/Control Weakness	Risk
Civica Purchasing reports the approver incorrectly for some transactions in data reports run from the system.	The system may falsely report a lack of separation of duties.

Findings

Data analytics software was used to assess whether Civica Purchasing enforces separation of duties for authorisation of purchase orders.

The results indicated that some purchase orders had been approved by the same officer that raised the requisition. Further testing of the audit trails for these transactions confirmed that these orders were approved correctly in all cases, and it was found to be a bug/glitch in the Purchasing system providing a false piece of data and an erroneous audit trail.

Further interrogation of the system revealed that the audit trails were generally because of the officer issuing the requisition to more than one person for approval. One of the two officers that received the request for approval then approved the order, leaving one request for approval outstanding. Civica Purchasing does not automatically cancel this and so it requires either rejecting by the 'approver', or recalling by the officer that raised the requisition. This step generally happens last and it is here that the system collates the information to report the data, thus creating an incorrect reporting of the approving officer.

It was confirmed that, in all cases, the purchase orders were approved with appropriate separation of duties by an officer with a sufficient approval limit. Testing by the P2P team confirmed that users cannot approve an order twice (and so issue two orders) where an approval request has been sent twice

Agreed Action 2.1

A call log will be raised with Civica to make them aware of the error and requesting that it be corrected as part of a future update	Priority	3
	Responsible Officer	Systems Accountant
	Timescale	Implemented

Veritau

3 Recording and authorisation of PO requests by business support

Issue/Control Weakness	Risk
When Business Support staff raise and/or authorise PO's on behalf of service areas the request and approval details are not retained.	Business Support staff are not sufficiently protected against fraud and error when raising and authorising POs on behalf of service areas.

Findings

Business Support raise and authorise purchase orders (POs) for services across the Council when requested. However, the requests to do so are not retained. There is an agreement corporately that Business Support can raise a PO for anyone in the Council. Some services have an SLA in place with Business Support, which includes the raising of all POs.

The standard process is that an Outlook form is submitted by the service and sent to Business Support, copying in the budget holder. Business Support then raise the PO and select the budget holder as the authoriser. The budget holder then receives an automated email containing a link to authorise the order.

The original form submitted to Business Support is not retained and no record/note is retained on who submitted the request for a small number of areas within the authority. In some instances, the PO will also be authorised by Business Support. Analysis of POs raised in 2020/21 found that 28% of purchase orders were raised by the Business Support team and 13% of purchase orders were raised and authorised within the Business Support team.

Agreed Action 3.1

Business Support procedure notes will be amended to state that the original purchase order requests submitted by the service, and containing the budget holder authorisation, must be retained by Business Support staff.	**Priority**	3
	Responsible Officer	Business Support Manager
	Timescale	31 January 2022

7

Veritau

4 Staff records matched to creditor records

Issue/Control Weakness	Risk
Staff members are set up as creditors or match to creditor records based on bank details.	Unauthorised payments may be made causing a financial loss to the council.

Findings

A comparison of current creditor records with a list of current staff identified a number of instances where staff and creditor bank accounts matched. A total of 1,346 staff records matched to creditor records based on bank account details, with some bank details matching multiple creditor accounts.

We found 125 records where staff bank details matched to more than one set of creditor bank details. Of these, 61 of the 125 occurrences are because of the way in which building society and savings accounts are recorded on the system. They use a unique roll number to identify the account in addition to an account number and sort code, which was not shown in the data provided. Of the remaining 64 occurrences of staff bank details matching to multiple creditor records, a sample was reviewed by the Creditors team and they were found to be for legitimate payments, including reimbursements, salary payments and lottery payments.

We reviewed payments made to staff in 2020/21. We found 540 transactions to staff set up as creditors, totalling £198.5k. Over half of these payments (58%, £115.3k) were for payroll related amounts such as salary payments, advances and expenses.

Agreed Action 4.1		
A data cleansing exercise will be conducted to deactivate staff creditor records that are no longer required.	**Priority**	3
	Responsible Officer	System Accountant
	Timescale	31 March 2022

Agreed Action 4.2		
Further analysis of the types of payments made to staff via creditors will be undertaken. Business Support will review and confirm that suitable authorisation was received prior to payment.	**Priority**	3
	Responsible Officer	Business Support Manager
	Timescale	31 March 2022

∧Veritau

5 Duplicate supplier accounts

Issue/Control Weakness	Risk
A large number of supplier accounts appear to be duplicates based on bank account details.	Payments may be made to fictitious supplier accounts.

Findings

Of 41.8k currently active creditor accounts (suspended accounts excluded), it was found that 2.5k records were duplicates (6%) based on bank account details. A review of these records found that in some cases the bank account number is linked to the same organisation (such as a local authority) but the creditor name and address are different, making reference to different departments within the organisation. In most instances creditor accounts appear to be duplicates which have been set up for the same individual, using slightly different variants of the name ('Mrs F Name' and 'Mrs First Name' for example), and some appear to be exact duplicate supplier accounts.

Agreed Action 5.1

An exercise will be conducted to suspend creditor accounts which have not been used within a set timeframe to be determined by the Council. This will be carried out with input from the Council's Procurement team.	Priority	3
	Responsible Officer	System Accountant
	Timescale	31 March 2022

Agreed Action 5.2

Following suspension of accounts a data cleansing exercise will be conducted to remove or amalgamate duplicate supplier record.	Priority	3
	Responsible Officer	Business Support Manager
	Timescale	31 July 2022

▲Veritau

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

▲Veritau

This page is intentionally left blank