

Cotswold District Council

Report of Internal Audit Activity

Summary of Work Completed since April 2022

The following information provides a brief summary of each audit review finalised since the last Committee update

Risk Management Follow Up – Final Audit Report – April 2022

Follow Up Audit Objective

To provide assurance agreed actions to mitigate against risk exposure identified within the 2020/21 Risk Management Position Statement have been implemented.

Follow Up Progress Summary




| Priority | Complete | In Progress | Not Started | Summary |
|------------|----------|-------------|-------------|---------|
| Priority 1 | 0 | 0 | 0 | 0 |
| Priority 2 | 1 | 1 | 0 | 2 |
| Priority 3 | 1 | 0 | 0 | 1 |
| Total | 2 | 1 | 0 | 3 |

Follow Up Assessment

The 2020/21 audit of Risk Management processes was not completed due to planned improvements, instead a Position Statement was issued in September 2021. Based on our observations, an action plan to enhance compliance with policy and process was agreed with the Business Manager.

This follow up audit has found most actions have now been completed; the agreed action still in progress has been partially implemented. Key findings from the audit follow up have been summarised below. Evidence has been seen to support the implementation of these actions. A Risk Management review will be undertaken in 2022/23 to assess the effectiveness of the controls introduced.

Key Findings

| | |
|---|---|
|  | Training, Support and Guidance. <ul style="list-style-type: none"> Risk and Opportunity Management Strategies have been approved by the Audit Committees and adopted at all 3 Councils; each council strategy will be used in conjunction with the Publica Risk and Opportunity Management Strategy. The Publica Strategic Support Officer - Risk and Compliance (SSO-R&C) has attended management meetings at all 3 Councils to discuss risk management. The Business Manager - Corporate Responsibility (BM-CR) and the Strategic Support Officer - Risk and Compliance have attended Publica Business Manager meetings to provide training. |
|  | Templates and Tooling. <ul style="list-style-type: none"> The use of new or existing Risk Management software is still being considered. Publica has implemented a new operational risk register template for each Group Managers' service areas, but at the time of audit (March 2022) work there were some incomplete fields and inconsistencies in how the templates had been completed. The same Strategic Risk Register template is used by all 3 Council's and Publica. |
|  | Policy, Governance and Compliance. <ul style="list-style-type: none"> A standardised approach to risk and opportunity management processes has been adopted across Publica and the 3 Councils. Considering risk tolerance and the impact on each organisations objectives and priorities should help to determine the choice of action for each council. Publica Group Managers and Executive Directors are responsible for the effective implementation of the Risk and Opportunity Management Strategy. A separate Risk Management Group which will also include Council officers is due to have its first meeting in April 2022, with the aim to provide better links between project, operational and strategic risk registers across the 3 Councils and Publica. |

Follow Up Scope

The BM-CR confirmed the use of risk management software is part of a wider piece of work looking at how Pentana can be used by Publica. Training has been delivered to Business Managers, but training material was still due to be published on the Publica Portal. Roles and responsibilities have been defined, but how well risk management is embedded across all organisations will depend on how Publica Group Managers and Executive Directors implement the strategy, encourage officer engagement, and recognise each councils' individual circumstances.

Privileged Account Management – Final Audit Report – May 2022

Audit Objective

To gain assurance the processes and controls surrounding the management of privileged accounts are working effectively to mitigate risks.

Assurance Opinion



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.

Number of Agreed Actions

| Priority | Number |
|------------|--------|
| Priority 1 | 0 |
| Priority 2 | 0 |
| Priority 3 | 3 |
| Total | 3 |

Risks Reviewed

Failure to control Privileged User Accounts increases exposure to malicious attack, potentially enabling threat actors to gain elevated privileged access to networks, systems, and applications. This creates a high risk of misuse, fraudulent activity or a security incident leading to legal, financial, and reputational damage.

Assessment

Low

Key Findings



Privileged Account Management is a complex but critical process. It requires software solutions with good functionality and access controls alongside robust processes to be effective.

We did not identify any significant concerns within the scope of this audit; however, management have agreed to consider some minor areas of improvement that should enhance security and governance in this area.



We can confirm agreed actions from the 2020/21 Systems Administration audit have been implemented.

Audit Scope

The areas reviewed as part of this audit included;

- Controls surrounding identification and management of user accounts providing privileged system access.
- Control and review of access to privileged user accounts.
- Monitoring and review of privileged user account usage.
- Identified related risks and exceptions to Policy and review and follow up of previous, related audit actions.

Discussions were held with the Infrastructure Manager and ICT Audit and Compliance Manager and evidence viewed or requested where appropriate.


Additional Information

Whilst no significant areas of concern have been identified, it is important all ICT personnel continue to monitor risks surrounding Privileged Account Management, including the identification and review of any specific exceptions to the processes or technical standards, that may exist or arise in the future. Failure to do so, will potentially leave significant gaps in the controls and increase exposure to misuse or compromise.




Governance of Programmes and Projects – Final Audit Report – June 2022

Audit Objective

To provide assurance that the governance of programmes and projects is efficient and effective and supports the Council to help them achieve their priorities.

| Assurance Opinion | | Number of Actions | | Risks Reviewed | Assessment |
|---|--|-------------------|--------|---|------------|
|  | 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. | Priority | Number | An ineffective Programme and Project Management framework could lead to the Council not being able to deliver anticipated outcomes and their associated benefits within timescale or budget, potentially leading to non-delivery of Corporate aims and objectives, financial loss or reputational damage. | Medium |
| | | Priority 1 | 0 | | |
| | | Priority 2 | 1 | | |
| | | Priority 3 | 1 | | |
| | | Total | 2 | | |

Key Findings

| | |
|---|---|
|  | Local management teams are informed of new programmes / projects through the Lifecycle Decision Report, but not formally consulted with. A Statutory Officer Consultation Box on the reports will prompt engagement with Officers and record details of their input. Statutory Officer approval (or delegated approval) should be sought for all registered projects. The framework and any templates will be updated to include any amendments to the process. |
|  | There were inconsistencies with the way in which key milestones were recorded within the Project Register. Some project milestones had a good level of chronological detail, while others had expired dates and had not been updated. All programmes / projects should have key tangible and meaningful milestones for measurability purposes. There have been significant improvements in this area since fieldwork commenced and work is ongoing. |
|  | Locality reports update individual Council's on all their registered projects monthly. These reports are provided to Statutory Officers and Publica client lead for each Council. Documentation evolves in response to feedback and operational and strategic requirements. Applicable projects had evidence of closedown reviews which included capturing outcomes and lessons learnt. |

Audit Scope

This work addressed the above objective and reviewed the controls operating in the following areas:

- Planning and approval processes
- Reporting and monitoring arrangements
- Roles and responsibilities
- Review of outcomes and the achievement of objectives

Discussions were held with the Corporate Programme Manager and Project Managers. Further clarification from the S151 Officer was obtained.

One live and closed project, and a Publica programme was selected for review. Testing undertaken has assessed the effectiveness of processes operating.

Additional Information

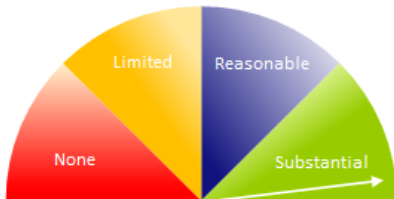
Two actions have been developed and agreed with Publica to enhance the governance of programmes and projects. If these actions can be implemented, it will also support Statutory Officers being able to manage Member expectations, confidently answer queries and support officers when reports are presented to Cabinet / Council.

The framework will require update, as well as guidance on setting and challenging milestones, and independent assurance requirements. Best practice is to be shared with all Officers responsible for project management and for it to be embedded throughout the organisation.





Accounts Payable – Final Audit Report – June 2022

Audit Objective

To ensure an effective control framework is in place for the Accounts Payable / Creditor's function

| Assurance Opinion | | Number of Agreed Actions | | Risks Reviewed | Assessment |
|---|---|--------------------------|--------|--|------------|
|  | 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. | Priority | Number | Fraudulent, invalid, or late payments are made resulting in financial loss and/or reputational damage. | Low |
| | | Priority 1 | | | |
| | | Priority 2 | | | |
| | | Priority 3 | | | |
| | | Total | 0 | | |

Key Findings

| | |
|---|--|
|  | Sound processes and controls are in place which ensure creditors are paid accurately, and in accordance with Financial Rules and/or payment terms. |
|  | During 2021/22 a total of 6,666 suppliers, many with multiple payments each week were paid covering the 4 partner councils, Publica and Cheltenham Borough Homes. 1,111 of these suppliers were for the Council. 10 payments were identified as duplicate payments. Good recovery actions are in place, most payments have been recovered and actions are ongoing to recover any outstanding payments. |
|  | Sundry Supplier codes are used to process one off payments. This means that full company checks are not completed which has the potential of increased fraudulent payments. We were advised Companies House and VAT checks are completed where these details are provided. Evidence confirmed officers are challenged if payment requests are made to pay the same supplier on a second occasion. |
|  | Previous year's agreed actions have all been implemented. |

Audit Scope

Discussions were held with the Accounts Payable Team Leader to confirm working practices.

Our quarterly testing of potential duplicate payments, and use of the sundry supplier codes (used when a creditor is not set up on the system) has been included to inform the effectiveness of the controls in place. Where duplicate payments were made, recovery actions were examined to ensure reimbursements were received.

Agreed actions from the 2020/21 AP audit have been followed up.

The test period covered 2020/21 and 2021/22. Clients reviewed were G1, G2, G3, G4, G5 and P8.

Conclusion

Our assurance opinion is based on the continuous audit work we have undertaken during the year (which have been reported in our quarterly progress reports), progress on the implementation of agreed actions, and working procedures/practices. We have also considered the increased workload the team have faced processing the numerous business grant payments.

In summary, we confirm an effective control environment is operating over the processes we have reviewed this year, identification of duplicate payments, use of sundry supplier code and AP controls

Our AP audit for 2022/23 will cover the process for the approval of payments to suppliers.

Appendix 1
Summary of the Continuous Analysis of Potential Duplicates and the use of the Sundry Creditor Code

| Testing / Findings | Q1 (Aug 21) | Q2 (Nov 21) | Q3 (Feb 22) | Q4 (Apr 22) |
|---|-------------|-------------|-------------|-------------|
| Duplicate Payments | | | | |
| Number of Duplicate Payments identified (paid twice by Council / Publica / CBH) | 2 | 4 | 0 | 0 |
| Value of Duplicate Payments identified (paid twice by Council / Publica / CBH) | £2,502.00 | £8,201.63 | £0 | £0 |
| Number of Payments recovered either by Credit Note or Refund request from previous quarter | n/a | 1 | 2 | 1 |
| Value of Payments outstanding from previous quarter | n/a | £462.00 | £336.84 | £0 |
| Number of Duplicate Payments identified (paid by Council and Publica or Council and CBH) | 0 | 1 | 1 | 2 |
| Value of Duplicate Payments identified (paid by Council and Publica or Council and CBH) | £0 | £435.89 | £165.60 | £995.00 |
| Number of Payments recovered either by Credit Note or Refund request from previous quarter | n/a | n/a | 0 | 0 |
| Value of Payments outstanding from previous quarter | n/a | £0 | £0 | £560.60* |
| Sundry Suppliers | | | | |
| Number of supplier(s) appearing more than once under the Sundry Supplier Record | 1 | 0 | 0 | 5 |
| Number of payments made to supplier(s) who appear more than once under the Sundry Supplier Record | 2 | 0 | 0 | 11 |
| Supplier record created on BW | 0 | 0 | 0 | 0 |

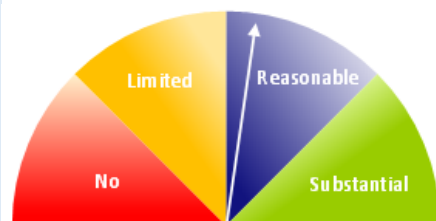
*Includes amount o/s after Q4 duplicate res.

Accounts Receivable – Final Audit Report – June 2022

Audit Objective

To provide assurance debts are managed and written off in accordance with financial rules.

Assurance Opinion



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.

Number of Agreed Actions

| Priority | Number |
|------------|--------|
| Priority 1 | 0 |
| Priority 2 | 2 |
| Priority 3 | 0 |
| Total | 2 |

Risks Reviewed

The Council suffers financial loss as a result of not being subject to appropriate debt management and write off procedures.

Assessment

Low

Key Findings



There is no separation of duties when actioning a write off in Business World On! (BWO). Some supporting documentation was either missing or where several accounts were mentioned, the documentation was only attached to one of the accounts. This lack of an audit trail may result in mismanagement of debt recovery and/or write off processes. Publica will review processes, and introduce separation of duties where possible.



Some of the budget managers we spoke to would benefit from process training as they were unclear on responsibilities despite monthly aged debt reports been received. Publica AR will provide guidance to ensure all budget holders are aware of their debt management, recovery and write off responsibilities.

Audit Scope

A review of debt management, recovery and write off processes in place on behalf of CDC was undertaken.

Discussions were held with the Publica Accounts Receivable Team Leader and a selection of budget managers. Sample testing was undertaken on aged debts and write offs during the period April 2020 – December 2021.

Two actions agreed in our 2019/20 audit were also followed up.

Additional Information

At the time of audit work we were advised Publica's finance processes were being reviewed. We examined the draft procedure/guidance documentation and provided control advice where applicable. Effective debt recovery processes rely not only on the AR team, but also on service managers ensuring they actively review their outstanding debt and instruct AR when recovery actions need to be escalated. Therefore, it is important that training and guidance is provided and for service managers to actively seek advice from the AR team.

Previously agreed actions are not fully implemented, but these will be actioned in the current review. We will follow up on all actions in due course.

