



Internal Audit Progress Report 20th June 2024

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1. Introduction

Internal Audit is a statutory function for all local authorities.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 as to:

Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

This report includes the status against the 2023/24 internal audit plan.

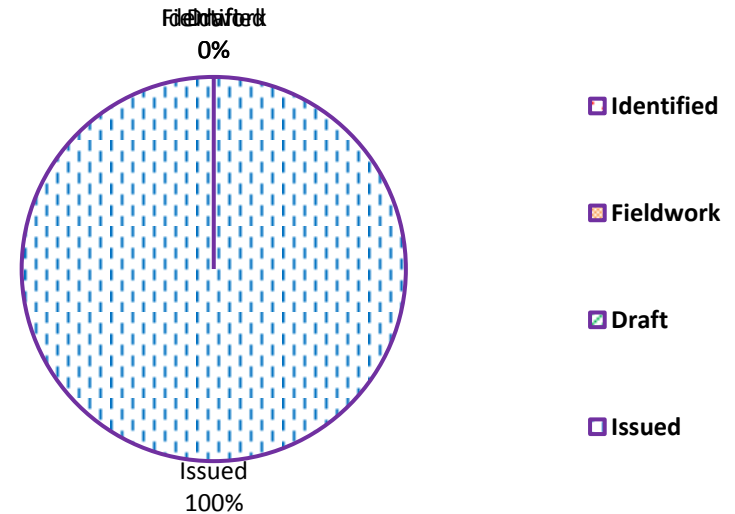
2. Audit Plan Progress as of 23rd May 2024

There are now 31 audits in the Audit Plan for 2023/24.

To date, 31(100%) have been issued and the audit plan for 2023/24 is complete.

Status	Current Position (May 2023)
Identified	0
Fieldwork	0
Draft Report	0
Issued	31

Audit Plan Progress as of 23rd May 2024



3. Ongoing Internal Audit Involvement

Internal Audit has provided advice, ongoing reviews and involvement work in the following areas. (For reference, advice is only recorded when the time taken to provide the advice exceeds one hour):

- Regulation of Investigatory Powers Act (RIPA) - authorisations (if applicable) and policy review
- Anti-Money Laundering
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
- Standards and Audit Sub Board - reporting and attendance
- Audit Planning and Consultation
- Risk Management
- Annual Governance Statement
- Counter Fraud
- Corporate Governance Group
- Corporate Management Team
- Corporate Investigations

4. Audit Plan Status/Changes

- Removed - Social Media - Moved into 2024/25 to allow for service changes to be implemented
- Removed - Housing Management System - Moved into 2024/25 to due to additional work undertaken

5. Areas of Concern - Fuel Cards - **No Assurance**

As part of the 2023/24 Audit Plan, the Internal Audit performed a Fuel Cards Audit. The Council vehicle fuel card system is administered by Financial Services (Central Purchasing). The Council has 50 active cards in issue and 33 fuel cards are issued to specific vehicle registrations and automobiles registered on the motor schedule for 2024-2025, while 17 are issued to specific employees.

Exception 1 - Review of the Motoring Policy - High Risk

The Policy has not been reviewed since 2019, first due to the pandemic and more recently due to the Head of Streetscene post becoming vacant. The Motoring Policy states that the effectiveness of the policy will be reviewed annually by the Principal Human Resources Officer, the Fleet Manager and the Safety Officer and it will be updated where necessary to comply with current regulations, guidance and best practice. The policy also included a role for internal audit to conduct regular monitoring which would then impact on the team's ability to remain independent.

Exception 2 - Pre agreed limits not set - High Risk

Departments have not set pre-agreed limits on the value of single fuel card transactions. The Motoring Policy, Appendix E, states that "each card is issued to a specific vehicle registration and has pre-agreed limits on the value of single transactions."

No accounting analytical reports are generated, as group accountants stated that their involvement was limited to the routine processing of invoices. 18 invoices were subject to an analytical audit from April to December 2023. Spending per invoice averaged £2,433, with a highest of £3,276 recorded in May 2023 and a lowest of £1,181 in December 2023. From the 10 invoices tested, total fuel worth £2100 (9.19%) was poured into cans, while the remainder of £20,756 (90.81%) was fuelled directly into vehicles. Due to the lack of any monitoring or control over the use of fuel cards for a significant period of time, it is not possible to perform meaningful data analysis on the spend as there is no consistent benchmark on how much fuel would be used by the current fleet.

Exception 3 - Absence of business use controls and mileage log books - High Risk

There are no comprehensive purpose of business usage documents at the departmental level, nor are there mileage log books for each vehicle or equipment to demonstrate what controls exist to monitor business use.

The purchasing department maintains an aggregated monthly fleet mileage for 5/13 council cars, which is extracted from receipts, but this does not detail the purpose of business use. For the 8/13 vehicles at the departmental level, there is no business use documentation or mileage log book for each vehicle or machine to evidence what controls are in place to monitor business use. Further testing on 10/18 invoices for 7/17 (41.18%) transactions performed by

cards assigned to employees established that fuel worth £3,651 (15.98%) was purchased and testing indicated the absence of business use documentation or vehicle mileage log books.

The Motoring Policy, Appendix E, states that drivers of Council vehicles are required to use fuel cards, which are issued by Financial Services –Central Purchasing, at the same time as the log book is issued. The fuel card must be used for all fuel and engine oil purchases for Council business. Use of the card for private purposes is not permitted, however during the audit, two instances of private use were identified. These were ceased immediately on discovery.

Exception 4 - Inaccurate Card Portal - High Risk

The Purchasing Office is working on updating the card portal and currently it's not up-to-date.

There are 50 active cards, 23 deleted cards and 93 expired cards maintained on the Allstar fuel portal system and 33 cars and automobiles registered on the motor schedule for 2024-2025. 17 cards are also not registered to vehicles as per the policy. As such it is then not possible to monitor the effective use of these cards as there are no odometer readings to compare to. Subsequent to the audit testing concluding, a number of new fuel card were found in a desk drawer which were not on the portal. Therefore this highlights further concerns around the administration and access to Fuel cards.

Exception 5 - Procurement and Contract Management - High Risk

Testing during the 2023/24 Procurement audit highlighted that there was no compliant procurement exercise undertaken for the supply of fuel cards for GBC. The contract is also not listed on the Council's contracts register. Furthermore, there is no contract owner and as such, no contract monitoring is occurring. Annual spend is approximately £50,000 per annum.

Overall, the audit highlighted significant gaps in the controls with regards to Fuel Cards which pose a financial risk to the Council. As the audit has been rated as 'No Assurance' a follow up review will be conducted on the agreed actions in August 2024.

6. Assurance Levels

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level	Description / Examples
Assurance	<i>No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority</i>
Reasonable Assurance	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
Limited Assurance	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
No Assurance	<i>Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit</i>
NAT	<i>No areas tested</i>

Audits rated No Assurance are specifically highlighted to the Standards and Audit sub board along with any Section Head comments. The sub board is able to request any section head attends a meeting to discuss the issues.

7. Exception Risk Ranking

The following table outline the exceptions raised in audit reports, reported in priority order and are broadly equivalent to those previously used.

Priority Level	Description
Low Risk (Improvement)	<i>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</i>
Medium Risk	<i>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</i>
High Risk	<i>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not 'show stopping' but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</i>
Critical Risk	<i>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the Council's objectives in relation to: The efficient and effective use of resources, The safeguarding of assets, The preparation of reliable financial and operational information, Compliance with laws and regulations and corrective action needs to be taken immediately.</i>

Any critical exceptions found the will be reported in their entirety to the Standards and Audit Sub Board along with Section Head comments

8.2023/24 Audits completed since last meeting

Project Management Corporate					
Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area
Critical	High	Medium	Low	Reasonable Assurance	Achievement of Strategic Objectives
0	0	4	2	Agreed actions are scheduled to be implemented by March 2025	Compliance with Policies, Laws & Regulations
					Safeguarding of Assets
					Effectiveness and Efficiency of Operations
					Reliability and Integrity of Data
					Reasonable Assurance
					Assurance
					Assurance
					Reasonable Assurance
					NAT

The five medium risk exceptions relate to projects without business cases, one project without a live risk register, a lack of project filing system and one project which wasn't providing regular reporting.

Food Safety - Environmental Health					
Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area
Critical	High	Medium	Low	Reasonable Assurance	Achievement of Strategic Objectives
0	0	1	1	Agreed actions were implemented at the time of the audit	Compliance with Policies, Laws & Regulations
					Safeguarding of Assets
					Effectiveness and Efficiency of Operations
					Reliability and Integrity of Data
					Assurance
					Reasonable Assurance
					Assurance
					Reasonable Assurance
					NAT

The medium risk exception related to a small number of inconsistencies in planned food safety inspections.

Payroll and Expenses - Finance

Exceptions Raised

Critical	High	Medium	Low
0	0	1	1

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by February 2024

Assurance Level by Scope Area

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Reasonable Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	NAT

The medium risk exception relates to the inability to undertake the ghost employee test due to a lack of sufficient reporting.

Budget Monitoring - Finance

Exceptions Raised

Critical	High	Medium	Low
0	0	2	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by July 2024

Assurance Level by Scope Area

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	NAT

The medium risk exceptions related to a lack of consistent budget monitoring reporting and the incorrect use of budget codes.

Council Tax and NNDR

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Limited Assurance		
0	2	3	3	Agreed actions are scheduled to be implemented by June 2024	Achievement of Strategic Objectives	NAT
					Compliance with Policies, Laws & Regulations	Limited Assurance
					Safeguarding of Assets	Assurance
					Effectiveness and Efficiency of Operations	Limited Assurance
					Reliability and Integrity of Data	Reasonable Assurance

The high risk exceptions related to gaps in the declarations of interest for council employees with regards to council tax and a lack of accurate reconciliations for historic write offs.

Procurement

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable Assurance		
0	0	2	0	Agreed actions are scheduled to be implemented by June 2024	Achievement of Strategic Objectives	NAT
					Compliance with Policies, Laws & Regulations	Reasonable Assurance
					Safeguarding of Assets	NAT
					Effectiveness and Efficiency of Operations	NAT
					Reliability and Integrity of Data	NAT

The medium risk exceptions related to a small number of instances of procurement non compliance and analysis on the use of waivers.

Accounts Payable

Exceptions Raised

Critical	High	Medium	Low
0	3	2	2

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by July 2024

Assurance Level by Scope Area

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	Limited Assurance
Safeguarding of Assets	Limited Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	NAT

The high risk exceptions relate to a lack of purchase orders being raised for expenditure, a lack of documented fraud & error process and a lack of evidence regarding supplier detail changes.

Fuel Cards - Streetscene

Exceptions Raised

Critical	High	Medium	Low
0	5	0	0

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by December 2024

Assurance Level by Scope Area

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	Limited Assurance
Safeguarding of Assets	No Assurance
Effectiveness and Efficiency of Operations	Limited Assurance
Reliability and Integrity of Data	NAT

Detail contained in section 5 of the report.