



Comprehensive Assurance	Substantial Assurance	Limited Assurance	Minimal Assurance
	<p>All areas within the report gained an Audit Opinion of Substantial.</p> <ul style="list-style-type: none"> • Fraud Processes • Payroll • Corporate Credit cards • Accounts Receivable • Bank Reconciliation 		

Guide to the audit assurance opinions	
Comprehensive	There is a sound system of controls designed to meet objectives, manage risks and controls are consistently applied in all the areas reviewed.
Substantial	There is a good system of controls and risks are managed. However, there are opportunities for improvement in the design or consistency of application that will assist in the achievement of objectives identified as being at risk in the areas reviewed.
Limited	Key controls exist to help achieve objectives and manage principle risks. However, there are opportunities for improvement in the overall control environment which would enhance the design and application of controls, thereby assisting the achievement of objectives identified as being at risk in the areas reviewed.
Minimal	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error. Risks to objectives are not being managed.

Scope and objective
<p>Internal audits mission is to enhance and protect organisational value and support the Council Plan by providing risk based and objective assurance, advice and insight.</p> <p>The Assurance, Risk and Audit Team endeavour to add value and improve Allerdale Borough Council's operations and help to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>As part of the 2018/19 Assurance Risk and Audit Plan, a review has been undertaken of the risk management, controls and processes and procedures in place in respect of the Finance Service. The aim of this review is to provide management with assurance that controls, governance and risk management activities are robust and operating as intended, that mitigating actions are in place to manage risks for this area and provide recommendations for improvements to add value, if appropriate.</p> <p>Information and evidence was gathered using a number of techniques including interviews with key officers testing, observations and questionnaires.</p> <p>Audit testing is identified in the audit scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.</p> <p>Assurance Risk and Audit would like to thank all staff involved during the course of the review for their help and assistance.</p>

Recommendations		
High	Medium	Low
1	4	3

Area of Good Practise
The Finance Team continue to provide a range of training programmes aimed at raising officers awareness of the financial

performance of the Authority and improving the financial management skills of non-finance staff.

Assurance Area	Risks/Weaknesses	Agreed Action	Recommendation date and responsibility
<p>Fraud Processes</p> <p>Audit Opinion Substantial</p>	<p>Clear policy/strategy available and up to date that makes it clear that fraud and other corrupt practices will not be tolerated, however there is no fraud training utilised on the E-Learning platform and no specific staff training completed regularly.</p> <p>Corporate Procedures state that an official order is always required in respect of goods and services. For one off purchases, old manual orders are used in an emergency, this is to avoid the lengthy process of adding a supplier to the system.</p> <p>Some orders are still being raised after ordering goods/services and receiving the invoice. There are some cases where goods/services have been received prior to an order or new supplier form being processed.</p> <p>There is a KPI for late payments which shows one of the reasons for late payments is due to invoices being received without an order, there are more invoices without orders than appear on the KPI data, due to them being paid on time. There is now a spreadsheet to monitor this information which showed 93 Invoices without</p>	<p>Fraud agreed action one, priority medium, Responsibility HR: That a fraud module be created and utilised on the E-Learning platform to promote fraud awareness.</p>	<p>HR Manager, 27.09.2019</p> <p>Response: Currently in the process of procuring a new E-Learning system. New system hopefully in place by July 2019.</p>

Assurance Area	Risks/Weaknesses	Agreed Action	Recommendation date and responsibility
	<p>Purchase Orders from April 18 - November 18.</p> <p>During the cheque opening observation on 04/12/18 the post was delivered at 9:40am but not opened until 10:30am, due to The Business Support Admin Officer (BSAO) having a team meeting that morning, this can have a knock on effect for customer services processing the cheques due to the time it takes to process, the earlier customer services receive the cheques the more likely the cheques can be processed the same day.</p> <p>Three samples were selected to test for duplicate payments, out of those tested no duplicate payments were found, however an error on one description field was found. Confirmation of the error was needed to provide assurance that both systems and records were correct and accurate. This was communicated with finance and corrected at the time of the review.</p>		
<p>Payroll</p> <p>Audit Opinion Substantial</p>	<p>The Trainee HR Assistant confirmed that the Establishment List and Pay Roll are usually compared annually. Testing highlighted a couple of differences in post numbers.</p> <p>Starter, Leaver and Mover forms are saved with a file name and a HR Officers initials to indicate that secondary checks are done, however a</p>		

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	<p>date is not provided to show when the check was completed and passed onto Payroll, this date could be important from a performance management tool, to prevent duplicates and management trail. One of the samples showed that both the actions and file saving were completed by the same employee, suggesting no secondary check or segregation of duties, the same sample also showed no dates but the month it was completed only.</p> <p>The calculations for final payment and holiday pay for one leaver tested identified that the calculations use different formulas, one including weekends, one excluding, one based on daily pay and one dependant on number of days in the month. These were however the standard calculations and used consistently for all employees.</p> <p>Change of salary notification to the Accountancy team to feed into budgets had not been done for a number of years. On speaking to the Accountancy Assistant (AA) she confirmed this was useful as by the time any payroll changes that would affect budget reaches payroll any additional budget required to fund these changes had not been checked with finance that the budget is available. This was previously done via a vacancy management form</p>	<p>Payroll agreed action one, priority low, Responsible Finance: Investigate establishing a single methodology for the calculation of final payments and holiday pay entitlement.</p> <p>Payroll agreed action two, priority low, Responsibility HR: The accountancy team should be informed of any changes to salaries to ensure budget pay group information is up to date.</p>	<p>Assistant Accountant, 27.09.2019</p> <p>HR Business Partner, Recommendation completed prior to the close of the review.</p>

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	<p>completed by HR then forwarded to finance and unison.</p> <p>The HR Drivers spreadsheet was not updated with new essential users, this was brought up at the time of the review and changed prior to the testing being performed.</p> <p>Testing highlighted inconsistencies between established practices relating to payment of overtime, the Collective Agreement and HR policy documents covering rates of pay applicable to overtime worked by staff on certain pay grades.</p> <p>The payrun has been completed on time each month since April along with HMRC real time information. The cut-off date for overtime and expenses documentation is consistently communicated via the intranet in advance.</p> <p>Sage System back up's are taken regularly prior to and throughout performing the payrun. Back up is manual and reliant on officers to complete. Providing the back up's are saved to the correct place the overall network back-up could be used to reinstate the previous backup data however this is SQL format which raises concerns on data integrity and quality. A comparison of previous data also could</p>	<p>Payroll agreed action three, priority High, Responsibility HR and Finance: Policies and guidance on the payment of overtime should be reviewed to ensure consistency with established practice on payment of overtime and the Collective Agreement.</p>	<p>HR Manager, 27.09.2019</p>

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	<p>not be completed as a control, The service are aware of these risks.</p> <p>Sort code and account numbers are removed from the BACS report for security and GDPR compliance manually, this is reliant on an officer to complete this process.</p>		
<p>Corporate Credit Cards</p> <p>Audit Opinion Substantial</p>	<p>Testing highlighted a number of inconsistencies in the application of Corporate Credit Card Procedures. This included Heads of Service authorisation of expenditure and the use of cards for subsistence expenditure in line with the subsistence claim forms and spend limits.</p> <p>Sufficient VAT receipts were not always attained, resulting in Allerdale being unable to claim back VAT from HMRC, the amount lost was not recorded.</p>	<p>CCC agreed action one, priority medium, Responsibility Finance: Reference to the Subsistence policy and limits should be added to the Corporate Credit Card Procedures.</p> <p>CCC agreed action two, priority medium, Responsibility Finance: Consideration should be given to removing the need for Heads of Service to authorise monthly transaction logs and the policy amended accordingly.</p>	<p>Technical Officer 30.09.2019</p> <p>Financial Services Manager (incl Deputy Section 151 Officer), 30.09.2019</p>
<p>Accounts Receivable.</p> <p>Audit Opinion Substantial</p>	<p>The Debt Recovery Policy was not easily accessible and was last revised in 2009. An updated policy is in draft that recognises current practises and how these have changed over the last ten years.</p> <p>Testing confirmed that a combination of system and human controls ensures correct processing of payments, credit notes and effective processing of refunds.</p> <p>Finance staff are aware of the risk of Money Laundering, however no specific</p>	<p>AR agreed action one priority Low, Responsibility Finance and Legal: Updated Debt Recovery procedures should be finalised and rolled out to departments.</p>	<p>Technical Officer/ Legal Officer, 30.09.2019.</p>

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	<p>Money Laundering training has been provided to new or existing post holders.</p> <p>Discussion confirmed, prior to Finance processing a refund, Academy records are reviewed to identify if the debtor has further debts within the council against which the refund could be allocated, however departments who process their own refunds do not consult with finance to complete this action.</p>		
<p>Bank Reconciliation</p> <p>Audit Opinion Substantial</p>	<p>The reconciliation process demonstrated good controls in place to ensure that all records agree, however the reconciliation procedure(s) for both general income and disbursements are not documented.</p> <p>Assurance for returned BACS payments is provided in the Revenues and Benefits audit review 2018/19.</p>	<p>BR agreed action one priority Medium:</p> <p>To support service resilience the reconciliation procedure(s) for general income and disbursements should be fully documented with detailed instructions that are easy to follow including any standardised documentation needed.</p>	<p>Assistant Accountant for general income account and Technical Officer for disbursements account 30.09.2019.</p>

Areas for improvement:

Areas for improvement were where the audit has identified something that is not non-conforming, but could possibly be improved, these areas are discussed with the key contact(s) at the close out meeting.

1	Orders are raised after ordering goods/services and receiving the invoice. There are some cases where goods/services have been received prior to an order or new supplier form being processed.	The Fraud group and finance work together where possible to raise awareness to those involved in the Creditors process of their roles and responsibilities for managing the risks in regards to ordering goods and services, bonafide suppliers and late payments.
2	Post was delivered to the document management department at 9:40am but not opened until 10:30am, due to The Business Support Admin Officer (BSAO) having a team meeting that morning, this can	Team meetings involving document management staff should be scheduled for afternoons where possible with the opening of post/cheques in mind.

	have a knock on effect for customer services processing the cheques due to the time it takes to process.	
3	Testing highlighted a couple of minor differences in post numbers between the establishment list and payroll system.	To ensure accurate workforce records are maintained the Establishment List should be regularly and consistently reviewed against the payroll system and updated as required.
4	Starter, Leaver and Mover forms were completed different within the HR team.	All forms should be consistently completed.
5	The HR Drivers spreadsheet was not updated with new essential users.	The Drivers spreadsheet should be consistently reviewed and updated as required.
6	Overtime form(s) completed and processed in paper form, these could be completed paperless in line with the corporate smarter ways of working approach.	Paperless working should be encouraged were possible in line with the corporate smarter ways of working approach.



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