

Cheltenham Borough 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

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



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.

Number of Agreed Actions

Priority	Number
Priority 1	
Priority 2	
Priority 3	
Total	0

Risks Reviewed

Fraudulent, invalid, or late payments are made resulting in financial loss and/or reputational damage.

Assessment

Low

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. 2,355 of these suppliers were for the Council. 15 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.

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)	6	1	2	2
Value of Duplicate Payments identified (paid twice by Council / Publica / CBH)	£3,614.64	£150.00	£2273.60	£3712.80
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	0	5	1
Value of Payments outstanding from previous quarter	n/a	£3,614.64	£1689.84	£150.00
Number of Duplicate Payments identified (paid by Council and Publica or Council and CBH)	3	0	1	0
Value of Duplicate Payments identified (paid by Council and Publica or Council and CBH)	£2,116.18	£0	£388.12	£0
Number of Payments recovered either by Credit Note or Refund request from previous quarter	n/a	2	1	1
Value of Payments outstanding from previous quarter	n/a	£1,112.54	£0	£0
Sundry Suppliers				
Number of supplier(s) appearing more than once under the Sundry Supplier Record	1	1	0	1
Number of payments made to supplier(s) who appear more than once under the Sundry Supplier Record	2	2	0	2
Supplier record created on BW	0	0	0	0

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 administrative processes are also currently being reviewed by the AR team. Actions have been agreed with Publica.



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 CBC 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.

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.

