

## Summary of Audit Findings

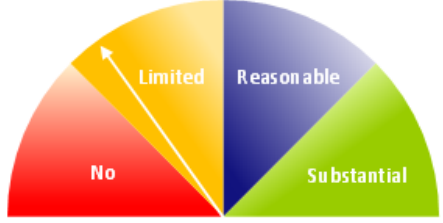
The following are the Internal Audit reports, of each audit review finalised, since the last Committee update

## Section 106 Process – Final Report – April 2024






### Audit Objective

To provide assurance on the effectiveness of CBC’s Section 106 arrangements.

### Executive Summary

	<b>Assurance Opinion</b>	<b>Management Actions</b>		<b>Organisational Risk Assessment</b>	<b>Medium</b>
	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.	<b>Priority 1</b>	1	Our audit work includes areas that we consider have a medium organisational risk and potential impact.	
		<b>Priority 2</b>	3		
		<b>Priority 3</b>	0		
	<b>Total</b>	<b>4</b>			

### Key Conclusions

	Roles, responsibilities, and processes require establishing, defining, and formally capturing. Multiple different departments are involved in the S106 process, however no one person has oversight, and the Officers involved are not aware of how their role sits in context with the wider process.
	Manual spreadsheets are in use, rather than the Exacom system. Officers were unaware of the expectations surrounding the use of Exacom, partly due to a lack of oversight and a change of staffing without a sufficient handover.
	The Financial Rules are not complied with. There is no process in place for complete and quarterly reconciliations throughout the year between the finance system, Business World, the spreadsheets used, and the Exacom system. We were unable to reconcile figures/systems during testing.
	There is insufficient evidence of reporting/communication with Members outside of the Infrastructure Funding Statement process to ensure sufficient oversight and appropriate spending of funds.
	This audit was requested by the Director as they were aware of potential issues and the risks involved. Action was taken immediately after findings were raised with the Director, and work is already underway to rectify issues and mitigate risk.

### Audit Scope

We reviewed the following areas:

- Internal governance surrounding S106 agreements.
- The systems used to manage S106 agreements.
- The reconciliation process for S106 agreements.
- The monitoring and reporting of S106 agreements, including to Members.

Walkthroughs and discussions were held with Officers responsible for different parts of the process, with evidence sought to support statements made. We did not conduct detailed testing of the S106 process as fundamental process issues were identified, and therefore we believe the testing will be of little value at this time.

### Summary

Both CIL and S106 were audited concurrently, however separate reports have been produced to reflect the differences between the two areas. Due to a lack of oversight, guidance, or policies and procedures, as well as a change in key staff, there are substantial gaps in the S106 process. We found similar issues with a lack of guidance in the CIL process, but as the Exacom system was being used consistently for CIL, monitoring arrangements are in a better place than with the S106 process.

The issues found relate to one root cause, which is that there is **insufficient internal governance in place**. The action to create overarching guidance, or policies and procedures, which define roles and responsibilities within the S106 process, is the first step to resolving the root cause. This will set the foundations for solidifying the S106 process and ensuring that risks to both business continuity, and S106 contributions not being received or spent by the Council, are mitigated. The remaining actions build upon this foundation.

As mentioned, work is currently underway to remedy this. The Director of Community & Economic Development facilitated a meeting with all key Officers with a view to aligning processes and identifying any gaps. An action plan has been created, and the desired outcome of this, along with future meetings, is the creation of a S106/CIL process manual.

# Community Infrastructure Levy Governance – Final Report – April 2024

## Audit Objective

To provide assurance on the effectiveness of CBC’s Community Infrastructure Levy (CIL) arrangements.

## Executive Summary



### Assurance Opinion

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.

### Management Actions

Priority 1	0
Priority 2	3
Priority 3	0
Total	3

### Organisational Risk Assessment

Low

Our audit work includes areas that we consider have a low organisational risk and potential impact.

## Key Conclusions

## Audit Scope



Although the roles and processes involved in CIL are contained within one department, with fewer Officers involved than with S106, roles, responsibilities, and processes still require defining, and formally capturing.



Reconciliation between the Exacom system and Finance system, Business World, is undertaken annually rather than quarterly, and is therefore not compliant with the Financial Rules. Due to this, although Exacom is used, the service area’s financial records are not necessarily accurate throughout the year.



There is insufficient evidence of regular reporting/communication with Members, outside of the Infrastructure Funding Statement process, to ensure sufficient oversight and appropriate spending of funds. This should be assessed by Management to ensure the current level is appropriate.



This audit was requested by the Director as they were aware of potential issues and the risks involved. Action was taken immediately after findings were raised with the Director, and work is already underway to rectify all the issues raised, and mitigate the risks.



Testing of a sample of CIL funds included in the 2022/23 Infrastructure Funding Statement (IFS) showed that the correct amount was received from each development, and subsequently correctly passed onto each Parish Council. No CIL funds in our sample were overdue or had been defaulted by the developer.

We reviewed the following areas:

- Internal governance surrounding CIL agreements.
- The systems used to manage CIL agreements.
- The reconciliation process for CIL agreements.
- The monitoring and reporting of CIL agreements, including to Members.

Walkthroughs and discussions were held with Officers responsible for different parts of the process, with evidence sought to support statements made.

## Summary

Although the Shared CIL Manager has oversight of current CIL practices, the process itself, and the roles and responsibilities relating to it, are not formally captured. Due to this, there is the potential for gaps within the CIL process.

CIL and S106 were audited together, with separate reports being produced to reflect the differences. A key difference is that the Exacom system is used consistently to monitor CIL arrangements, with fewer officers involved from fewer departments than with S106, and therefore monitoring arrangements are in a better place than they are for S106 agreements.

Although similar to the actions raised in the S106 audit, the issues in the CIL audit are less severe. The key conclusions above list the actions raised, which relate to the same root cause as the S106 audit: **there is insufficient internal governance in place**. The first action listed is the first step to addressing the root cause, and highlights that current processes require formally capturing - if left unresolved, this presents risks to both business continuity, as well as CIL contributions not being received or spent by the Council. The remaining actions raised aim to build upon the root cause, and ensure processes are embedded.

However, as mentioned, work is currently underway to resolve all issues raised. The Director of Community & Economic Development facilitated a meeting with all key Officers with a view to aligning processes and identifying gaps. An action plan has been created, and the desired outcome of this is the creation of a S106/CIL process manual.

# Accounts Payable – Final Report – April 2024

## Audit Objective

To ensure the Council has an effective control framework in place for its Accounts Payable / Creditor's function.

## Executive Summary

	<b>Assurance Opinion</b>	<b>Management Actions</b>		<b>Organisational Risk Assessment</b>	<b>Low</b>
	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	<b>Priority 1</b>	0	Fraudulent, invalid, or late payments are made resulting in financial loss and / or reputational damage.	
		<b>Priority 2</b>	0		
		<b>Priority 3</b>	0		
		<b>Total</b>	<b>0</b>		

## Key Conclusions

	<p>A New Supplier Form must be completed for all new suppliers. Once processed in Business World, a different Accounts Payable (AP) Officer checks the bank details, email address and CIS status are correctly input. The Accounts Payable/Receivable Team Leader (APRTL) does a final check of all new suppliers. This is all evidenced using a checklist.</p>	<p><b>Audit Scope</b></p> <p>Meetings were held with the Publica Accounts Payable and Receivable Team Leader (APRTL) and the Publica Accounts Payable and Receivable Coordinator (January 2024), and the creation, amendment and management of the creditor master file were discussed.</p> <p>A random sample of new suppliers and supplier amendments (April 2023 – January 2024) were selected to ensure prescribed processes had been followed.</p> <p>We also undertook some data analysis work to identify the number of transactions where purchase orders were used.</p>
	<p>All new suppliers' names and bank details are checked by AP against Publica's fraudulent checklist.</p> <p>An Amendments Form must be completed for any changes to a supplier in Business World. All amendments are checked by AP with the supplier via the phone number on the account in Business World; this is recorded on the amendments form.</p> <p>Once an amendment has been confirmed and made on the system, a different AP Officer checks it for accuracy. The APRTL does a final check to ensure the amendment is correct. The Fraudulent Checklist is checked for any amendments to name and bank account.</p> <p>The APRTL monitors all amendments to suppliers in Business World using the AG58 report.</p>	
	<p>We received satisfactory responses to all our testing queries. Evidence was seen to support all new suppliers and supplier amendments had been processed in accordance with the processes outlined to us.</p>	

## Other Relevant Information

The total number of new suppliers set up across all clients during the period reviewed was 427. The total number of amendments made to existing suppliers across all clients during the period reviewed were 190.

We found 58% of 6615 transactions processed on G1 client were not supported with a purchase order. Ordering goods and services via purchase orders aids budget monitoring and mitigates against overspends. Officers should be reminded to use purchase orders for all payments where appropriate to ensure they are adhering to best practice, and the transaction is legally protected by the terms and conditions of a purchase order.

