West Oxfordshire District Council

Report of Internal Audit Activity

November 2022

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

The contacts at SWAP in connection with this report are:

Lucy Cater
Assistant Director
Tel: 01285 623340
lucy.cater@swapaudit.co.uk

Jaina Mistry
Principal Auditor
Tel: 01285 623337
jaina.mistry@swapaudit.co.uk

- Contents:

  Internal Audit Definitions

  Audit Plan Progress

  Finalised Audit Assignments

Internal Audit Definitions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **No**
- **Limited**
- **Reasonable**
- **Substantial**

- Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	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.
Reasonable	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.
Substantial	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.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Internal Audit Definitions

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

● Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
Operational	Procurement Cards	Final Report	Low Limited	6	2	4	-	See Appendix C
Governance	Monitoring the Performance of Strategic Commissioned Services	Final Report	High Reasonable	2	-	2	-	See Appendix C
ICT	Vulnerability Management	Final Report	High Reasonable	1	-	1	-	See Appendix C
Operational	Business Grant Funding – Post Payment Assurance	Final Report	High Substantial	0	-	-	-	See Appendix C
Operational	Election Expenses – Treatment of VAT	Final Report	Low Substantial	2	-	-	2	See Appendix C
Operational	S106 Agreements and Funds	Draft Report						
Operational	Planning Validation Process	Draft Report						
Operational	Accounts Payable (Qtly review)	In Progress						
Operational	Publica Performance Information	In Progress						
Follow-Up	Asset Management and Commercial Property	In Progress						
Operational	Business Grant Funding – WODC ARG Schemes	In Progress						
Operational	Climate Change (Strategic)	In Progress						
Operational	Business Continuity Management	In Progress						
Key Financial Control	Payroll	In Progress						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority 1	Priority 2	Priority 3	Comments
Key Financial Control	Treasury Management	In Progress						
ICT	Business World – Workflow and Approvals	In Progress						
Key Financial Control	Bank Reconciliations	Audit Ready						
Key Financial Control	Council Tax and NNDR	Audit Ready						
Key Financial Control	Housing Benefit and Council Tax Support	Audit Ready						
Operational	Management and Monitoring of Contracts	Audit Ready						
Operational	Mechanism for Charging Council	Audit Ready						
Support	Business Grant Funding – Post Payment Review	Draft Report	N/A	-				Head of IA working with Head of Service, Counter Fraud and Enforcement Unit to conduct post payment review
Support	Business Grant Funding – Aged Debt	On-Going						Quarterly review of Business Grant Overpayment Aged Debts with Head of Service, Counter Fraud and Enforcement Unit for reporting to BEIS
Advisory	Support to the Agile Working Project	On-Going						
Advisory	Environmental Services Improvement Programme	On-Going						
Advisory	Procurement and Commissioning Group	On-Going						

Audit Plan Progress

Audit Type	Audit Area	Status	Opinion	No of Rec	Priority			Comments
					1	2	3	
Advisory	Health and Safety Working Group	On-Going						
Advisory	Publica Improvement Programme	On-Going						
Certification	Carbon Data	In Progress						
Grant Certification	Test and Trace Payment Scheme	Complete	N/A					
Grant Certification	Contain Outbreak Management Fund	Complete	N/A					
Follow-Up	Follow-Up of Agreed Actions (not included in an audit above)	On Going						
Other Audit Involvement	Working with the Counter Fraud and Enforcement Unit	On Going						
Other Audit Involvement	Management of the IA Function and Client Support	On Going						
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks							
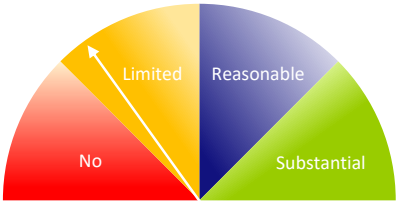
The following are the Internal Audit reports, of each audit review finalised,
since the last Committee update

Procurement Cards – Final Report – August 2022

Audit Objective	To review the use of Procurement and Credit Cards to ensure purchases are made in accordance with agreed policy/procedure.

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.

Number of Agreed Actions

Priority	Number
Priority 1	2
Priority 2	4
Priority 3	-
Total	6

Risks Reviewed

The anticipated benefits of using procurement cards are not realised due to lack of guidance, resulting in card misuse, potential fraudulent transactions and ineffective processing and reconciliation of expenditure

Assessment

High

Key Findings

Audit identified non-compliance with policy / procedure in respect of submission of receipts, payments to council approved suppliers (when a PO should be used), timeliness of processing of transactions into the ledger.
Security of cards was not as robust as we expected and at times in non-compliance with policy / procedure. Controls have been discussed and actions agreed.

Card administration is not as robust as we would expect.
Policy is dated 2015 and is need of a refresh.
Policy update to enforce to cardholders their responsibilities and consequences of non-compliance with the policy. Policy to be reviewed and updated at least every 3 years.
Procurement card data is not being published in accordance with the Government's Transparency Programme.

Audit Scope

Our review covered the following areas:
- Procurement card policies/guidance.
- Procurement/Business Card procedures.
- Only authorised officers with a valid business use are issued procurement cards.
- Purchases are in accordance with policy and include supporting documentation for payment. For emergency payments appropriate authorisation is in place.
- Transactions posted to the ledger are accurate and timely.

Conclusion

Prior to the formation of Publica, the Council operated a procurement card scheme to make purchases where other payment methods are not available or not suitable. Publica joined a similar scheme after its incorporation. The global pandemic forced a change in the way the Council and Publica utilised, and managed, procurement cards. Due to the urgency, in some service areas, to procure goods / services, the use of procurement cards increased. Remote working has made reconciliation between receipts and statements challenging with the legacy systems that are in place.

Our findings have been discussed with Group Finance Director and Business Manager – Finance. We have been advised that the Business Manager – Finance has been engaging with the bank and advised that a new card scheme is being explored with the aim of utilising technology to streamline processes and help address the control weaknesses detailed within this report.

The Business Manager – Finance has committed to update Internal Audit with progress on the implementation of the new procurement card scheme, ensuring all findings from our report are incorporated. Target date, for implementation, of the priority 1 agreed actions is 30th September 2022 and priority 2 agreed actions is 31st December 2022.
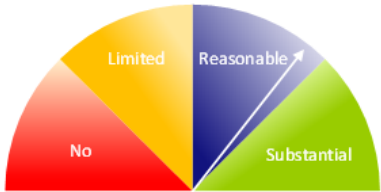
Spend Data
The following table has been included to show the percentage of Procurement Card spend to total Council Spend (as reported on the Council's website under the Transparency Page). Expenditure incurred by the Council, must be published on the Council's website, as per the Government's Transparency Agenda.

Financial Year	Transparency Data	Procurement Card Spend	Percentage (Procurement Card to Total)
2019/20	£34,633,473.00	£45,671.30	0.13%
2020/21	£28,395,115.71	£94,978.72	0.33%
2021/22	£25,984,441.82	£102,728.22	0.39%

Monitoring the Performance of Strategic Commissioned Services – Final Report – August 2022

Audit Objective	To establish and review the governance framework processes and structures in place between the Council and Commissioned Service Providers

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

An inadequate governance structure and culture leads to a lack of direction, poor management and monitoring, inadequate decision making and a lack of transparency, which will impact on the organisations ability to deliver its corporate partnership objectives.

Assessment

Medium

Key Findings

The Corporate Risk Register includes a risk relating to Publica (W-CRR-016) but there are no risks relating to Ubico or the Internal Audit service provided by SWAP.   Given the diverse nature of the strategic commissioned service providers reviewed, each facing different issues, we would expect to find a Risk, outlining controls, specific to each provider either in the Corporate or Service Risk Registers.

Where the Member's Section 151 Officer, who has statutory responsibility for the provision of Internal Audit, is no longer serving on the SWAP Board, it was agreed by the SWAP Board that they could continue to receive the 'non-confidential' reports to provide them with necessary assurance such as the Financial Status of the Partnership; this is not happening.
NB. This finding was actioned in August 2022.

Audit Scope

A high-level review focussing on the overarching governance arrangements in place to manage the Council's strategic commissioned services was undertaken.

Three Strategic Commissioned Service providers were reviewed as part of this audit:
- Publica
- Ubico
- SWAP

Discussions were held with the S151 Officer, and contractual agreements, reporting arrangements and risk registers were reviewed.

Summary Conclusion

The Governance over Strategic Commissioned Service providers is essential if the Council Owners are to be assured that they are receiving a quality service that represents value for money. From this review we can offer reasonable assurance that effective measures are in place through regular Officer/Member meetings and reporting through to the appropriate Council Committees. We have found that each of the providers fulfil their obligations outlined in their Agreements and Articles of Association.

The Publica relationship, as reported in the Campbell Tickell report (commissioned in September 2020 to review the effectiveness of Publica's Board) "is complicated by the fact that Publica on occasion acts as both commissioner and contractor, requiring potential conflicts of interest to be managed more carefully in ways which perhaps need to be more transparent". This report made 20 recommendations, all of which have been implemented. The most relevant to this audit being a review of the shareholders reserved matters and the embedding of the Members Representatives Board – relaunched as the Shareholders Forum, for which the Terms of Reference were agreed at its meeting on 29th July 2021. As this Forum embeds this should serve to enhance the relationship between Publica and Shareholders.

Vulnerability Management – Final Report – August 2022

Audit Objective	To provide assurance that the controls in place to identify and mitigate vulnerabilities within the ICT environment are sufficient and working effectively.

Assurance Opinion

There is a generally sound system of governance, risk management and control in place. Scope for improvement was identified which may help the achievement of objectives in the area audited.

Number of Agreed Actions

Priority	Number
Priority 1	0
Priority 2	1
Priority 3	0
Total	1

Risks Reviewed

A failure to effectively (i) 'Identify' (ii) 'Remediate' and/or (iii) 'Risk Manage/mitigate' vulnerabilities within the networked estate will increase exposure to successful attack and potentially significant financial, reputational and legal damage.
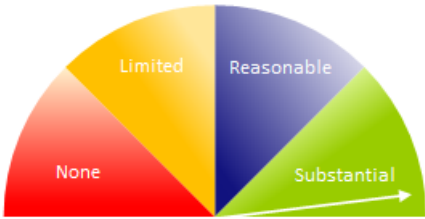
Assessment

Medium

Key Findings

The disclosure of vendor hardware and software vulnerabilities presenting operational and security risk to organisations is inevitable within complex IT environments. Through discussion with the service area, we determined suitable tooling is deployed coupled with sound processes that identify, assess and enable remediation of vulnerabilities within the infrastructure. We can also take assurance processes are sufficient, by the continued attainment of PSN certification, which has been achieved for 2022-2023.

Occasionally, exploitable critical vulnerabilities requiring urgent assessment and action are disclosed. Recent incidences show that swift actions are taken in response to these.

Minor control improvements have been discussed with Management who will consider their implementation.

Audit Scope

The areas reviewed as part of this audit included;

- The processes to identify, assess and risk manage vulnerabilities
- Management of the existing processes employed that enable the identification, reporting and remediation of vulnerabilities.
- Review and follow up of previous, related audit actions.

Discussions were held with the ICT Audit and Compliance Manager, Infrastructure Manager.

Conclusion

The nature of Vulnerability Management is ever-changing and as such, it is important all ICT personnel continue to monitor risks surrounding emerging vulnerabilities, including the identification and review of any specific exceptions to the processes or technical standards, which may exist or arise. Failure to do so, will potentially leave gaps in controls and increased exposure to compromise.

Given the levels of threats and skill of attackers faced today, the amount of, and criticality of vulnerabilities disclosed are likely to increase in the future. Essential and increasing defence activity is in addition to delivering improving levels of service demanded by organisations. Therefore, organisations need to continually improve both their capability, capacity, and resilience to be able to respond in line. It is therefore important that any risks faced in this area are discussed with stakeholders, enabling appropriate decisions to support resourcing requirements.

Business Grant Post Payment Assurance – Final Report – August 2022

Audit Objective	To provide assurance that COVID-19 related business grants were paid to eligible businesses, in accordance with Government guidance and Council Policies

Assurance Opinion

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.

Number of Actions

Priority	Number
Priority 1	0
Priority 2	0
Priority 3	0
Total	0

Risks Reviewed

If sufficient checks and controls are not in place, ineligible recipients may receive COVID-19 business grants resulting in potential financial, fraud and reputational risk to the Council.
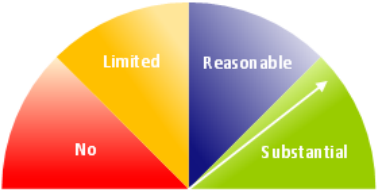
Assessment

Low

Key Findings

In May 2021 post payment assurance (PPA) checks were completed for a sample of business grants paid between March and April 2020, which resulted in a Substantial Assurance Opinion.

We have undertaken a post payment review on further Government grant schemes (November 2020 to April 2021). Work included;

- Verifying grant management system payments match the main financial system.
- Verifying rateable values (where applicable) agree with information held on Council systems.
- Checking relevant PPA reports for accuracy.

We can confirm there were no significant findings. All COVID-19 business grant payments reviewed were paid to eligible businesses and in accordance with Government guidance. The Counter Fraud and Enforcement Unit investigated and resolved any discrepancies identified by the grant assessors

The Counter Fraud and Enforcement Unit continue to undertake post payment checks to identify potential fraudulent claims and grants paid in error. Where these are identified, the team will take recovery action; we have also used this assurance to support our overall opinion.

Audit Scope

We reviewed a sample of cases / applications that were awarded COVID-19 business grants through schemes introduced between November 2020 and April 2021, to ensure payments were made to eligible recipients and in line with Government guidance.

Grants included in the testing were:
LRSG Closed Addendum
LRSG Closed Addendum (Tier 4)
LRSG Closed Addendum (January)
LRSG Closed Addendum (February)
Closed Business Lockdown
LRSG Closed
LRSG Open
ARG Schemes
Restart Grants

Grant Assessors, supported by Head of Service, Counter Fraud and Enforcement Unit and Head of Internal Audit, completed checks and reports for all mandatory cases and a sample of discretionary cases; our checks are in addition to their work.

Further Comment

Conditions placed on the grant schemes were actioned by officers as appropriate e.g., regular data submission deadlines and reconciliations.

Election Expenses (Treatment of VAT) – Final Report – October 2022

To provide assurance that the treatment of VAT on Election Expenses is in accordance with VAT regulations and the Financial Rules.

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	0
Priority 2	0
Priority 3	2
Total	2

Risks Reviewed

VAT is incorrectly processed resulting in under/over submission of the VAT Return. And an impact on the accuracy of the financial statements.

Assessment

Low

Key Findings

There is no guidance on the staff portal which officers can refer to, to confirm the correct VAT code to be used. However, finance officers are on hand to offer advice when needed. A formal action has not been agreed on this occasion as this will be covered in the VAT audit.

The Electoral Services Manager is fairly new to post and relies heavily on finance officers to administer and manage the budgets. The risk of incorrect application of VAT and that of a lack of budget management training is mitigated due to this reliance. However, responsibility should be that of the service manager and not the finance staff. Finance training would be of benefit, as would a guidance document which identifies the type of expenditure and its VAT treatment, which could be used to aid less experienced officers when processing payments.

Recovery of expenditure incurred administering the County Council and the Police & Crime Commissioner elections is in accordance with the VAT regulation and the Council's Financial Rules.

Audit Scope

This review has been mainly completed as a desk top review of election expenditure in accordance with VAT legislation ref. VATGPB8680.

Meetings were held with the Electoral Services Manager and Publica Finance Officers to determine processes undertaken.

The areas reviewed were:
- Policy /procedure documentation
- Analysis and testing of election expenses during the period January 2020 – July 2021

Scope limitations: Salary related expenditure was not reviewed.

Summary

In February 2021, the Government issued VAT guidance for election related expenditure. The guidance was subject to interpretation and was clarified in subsequent updates. Our testing found that VAT had been correctly coded. Findings relating to VAT matters identified in this review have been reported to the Publica Finance team, which we will follow up in a forthcoming VAT audit which is planned for this financial year (2022/23). Therefore, we have not included staff awareness or training relating to the application of VAT which was initially include in the scope for this review.

To summarise, both processing and recovery of election expenditure is satisfactory. Actions have been agreed which should help to strengthen the existing control environment.