

ANNUAL HEAD OF INTERNAL AUDIT REPORT

16 February 2023

ANNEX 1

RYEDALE
DISTRICT
COUNCIL



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BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Council's audit charter. These require the Head of Internal Audit to bring an annual report to the Overview & Scrutiny Committee. The report must include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



INTERNAL AUDIT WORK CARRIED OUT IN 2022/23

- 2 The financial year 2022/23 has been a year dominated by preparations for local government reorganisation (LGR). This was anticipated at the beginning of the year when the internal audit work programme was presented to this committee in April 2022/23.
- 3 The approach to internal audit delivery has been significantly different to previous years. This was intentional and designed to ensure that that we could provide support but also assurance in areas of most importance from a risk or priority perspective, while recognising the demands on officers due to LGR. This has required, in some instances, careful programming and planning to deliver financial systems work and, in others, a need to be flexible and responsive, picking up and pausing audit work in response to pressures facing service areas.
- 4 In addition to internal audit work undertaken directly for Ryedale District Council, Veritau has supported all eight councils involved in the transition to North Yorkshire Council through its attendance at, and contributions to, various LGR workstreams throughout 2022/23. A portion of our time this year has been spent providing direct support and advice to these workstreams.
- 5 Senior managers at Ryedale District Council have continued to support delivery of internal audit as far as they have been able during 2022/23. As in a typical year, work has been prioritised based on risk and the need to provide coverage of the Council's framework of governance, risk management and control. However, particular emphasis has been given to providing assurance on the continued effective operation of the Council's key financial systems amidst the changes and pressures brought about by LGR.

- 6 Given the significant increase in LGR workloads on top of usual responsibilities, and the related impact on availability of Council staff throughout the year, as well as the earlier than usual reporting of our work to this committee¹ (our annual Head of Internal Audit report is usually presented in June/July) not all audits have been completed. A small number of audits identified as priority audits at the time the work programme was presented in April 2022 have not been undertaken. These are as follows:
- Transparency (follow-up)
 - Freedom of Information
 - ICT asset management
 - Environmental health
 - Licensing
- 7 Despite this, we been able to deliver a body of internal audit work during the year which has, overall, resulted in good coverage of Council's framework of governance, risk management and control.
- 8 A summary of internal audit work undertaken during the year is contained in appendix A.
- 9 Appendix B provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 10 Appendix C sets out our current definitions for each assurance level and the priorities for management action.

FOLLOW UP OF AGREED ACTIONS

- 11 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed.
- 12 During 2022/23 we have worked especially closely with the Corporate Services Manager and their team to ensure that agreed actions are completed or satisfactorily closed by 31 March 2023. This has involved sharing monthly updates on the status of agreed actions so that this information could be reported to Strategic Management Board as part of the usual performance pack or otherwise be addressed directly with responsible officers.

¹ Regulation 11 of the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009/276 provides that each district council must, in accordance with Regulation 6 of the Accounts and Audit Regulations 2015, prepare and approve an Annual Governance Statement (AGS) prior to the reorganisation date. This must be signed by the district council Leader and its Head of Paid Service (Chief Executive). Internal audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control is a key source of assurance in preparing the AGS and the reason why the annual report of the Head of Internal Audit is being presented at this meeting.

- 13 As a result of this work, we satisfied that sufficient progress has been made to address the control weaknesses identified in previous audits. We anticipate that all remaining outstanding actions will either have been satisfactorily completed prior to vesting date or that plans will be in place to address them within a reasonable time thereafter (ie as part of control improvements that are implemented locally but within the new North Yorkshire Council).

PROFESSIONAL STANDARDS

- 14 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the committee each year as part of the annual report. The QAIP consists of various elements, including:
- maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity
 - regular customer feedback
 - training plans and associated training and development activities
 - periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)
- 15 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit working practices was undertaken in November 2018². This concluded that Veritau internal audit activity generally conforms to the PSIAS³.
- 16 The outcome of the last QAIP (reported to this committee in July 2022) demonstrated that the service continued to conform to the PSIAS. The results of the self-assessment and QAIP for 2022/23 are not yet complete but will be available for review after April 2023. The full QAIP will be presented to a meeting of the Audit Committee of the new North Yorkshire Council in 2023/24.
- 17 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter was last reviewed in June 2022 and no changes were proposed. The current Charter will continue to guide and govern the performance of Veritau's internal audit work for the Council up until 31 March 2023.

² Reported to the Overview & Scrutiny Committee in January 2019

³ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.



OPINION OF THE HEAD OF INTERNAL AUDIT

- 18 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it provides **Reasonable Assurance**. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.

- 19 The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison with officers. However, in giving the opinion, we would note that preparations for local government reorganisation (LGR) have, over the last year, required a significant investment of time, effort and resources across the organisation. This has put strain on the Council's control environment and its business operations. The Council has had to operate during periods of uncertainty and substantial change all while maintaining service delivery and other key support functions. The unique circumstances and uncertainty brought about by the LGR transition have combined to create a very challenging operating environment. While the work of internal audit is directed to the areas that are considered most at risk, or to provide most value for the Council, it is not possible to conclude on the full extent of the LGR transition on the Council's operations.

APPENDIX A: INTERNAL AUDIT WORK IN 2022/23

Final reports issued

Audit	Reported to Committee	Opinion
Payroll	June 2022	Reasonable Assurance
Waste & Streetscene	June 2022	Limited Assurance
Income collection and debt management	June 2022	Substantial Assurance
Records management	September 2022	Reasonable Assurance
Physical information security compliance	February 2023	Limited Assurance
Waste & Streetscene (follow-up)	February 2023	No Opinion Given
Safeguarding (follow-up)	February 2023	No Opinion Given
Cyber awareness and email security	February 2023	Substantial Assurance
Section 106 agreements and CIL	February 2023	Reasonable Assurance
Council tax and NNDR	February 2023	Substantial Assurance
Everyone Active	February 2023	Reasonable Assurance
Housing benefits	February 2023	Substantial Assurance
Creditors	February 2023	Reasonable Assurance
Debtors	February 2023	Substantial Assurance
Main accounting system	February 2023	Substantial Assurance

Other work completed in 2022/23

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- Certification of the Local Authority Test and Trace Support Payment Scheme Funding Grant
- Certification of the Local Authority Test and Trace Contain Outbreak Management Fund Grant
- Completion of Homes England Compliance Audit
- Regular discussion with management, including ongoing discussions linked to local government reorganisation and in respect of the financial based audits, to help ensure work provides sufficient coverage for the annual opinion
- Ongoing review of key documentation and meeting minutes to help inform future work and provide insight for the annual audit opinion
- Involvement in a number of the local government reorganisation workstreams to help develop and understand new arrangements and share knowledge with management and officers

APPENDIX B: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
Physical information security compliance (November 2022)	This audit involved a visit to Ryedale House and the Showfield Lane depot to assess physical information security compliance and, specifically for the depot, to review arrangements for storing, archiving and disposing of confidential information.	Limited Assurance	2	1	0	<p>The Council is not always making effective use of existing information security arrangements at Ryedale House. Several lockable cupboards were left unlocked and key safes had their keys in the doors. Examples of data that was able to be accessed included housing benefit applications and personnel files. With minor changes to information security practices, unauthorised access to information can be more thoroughly guarded against.</p> <p>Some controls are in place to protect the most sensitive information stored at the depot, such as the use of a locked room with limited access by members of staff. The main storage room, however, does not meet good records storage practice, with Council records stored alongside cleaning supplies, equipment and other assorted supplies, underneath a large cold-water tank and in an area where water egress was evident. There was no evidence of humidity or heat control, and a fire alarm system was in place but there were no sprinklers or other fire mitigation measures.</p>	<p>Clear desk procedure to be updated and redistributed to staff.</p> <p>An audit of key safes to be undertaken. Key activated safes to be phased out and replaced with coded key safes.</p> <p>Records to be amalgamated into one room in depot to be locked and key secured in key safe.</p> <p>Records to be kept at a level above floor to protect from water leak. Items that are required by operational staff on a more frequent or daily basis will be removed from the room to protect records.</p> <p>Key safe or lockable code access system to be implemented to record</p>

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
							<p>visitors log to ensure all access is recorded.</p> <p>Liaison with facilities will take place to assess the room and understand the changes that can be made to the room to improve safety conditions of records.</p> <p>Risks to be understood and rated as necessary if mitigations can't be put together.</p>
Waste & Streetscene (follow-up) (December 2022)	This was a follow-up audit of findings contained in the June 2021 report. The previous audit received Limited Assurance.	No Opinion Given	0	0	0	<p>Good progress has been made in addressing the weaknesses highlighted in the June 2021 audit report.</p> <p>A new operating model for the service was agreed in October 2022 following a consultant's review of the service structure and operations. Implementation of the new model is currently in the 1st stage, with stage 2 due to commence in early 2023.</p> <p>Actions have been taken to satisfactorily address weaknesses related to submitting, reviewing, and approving overtime and additional hours claims via the introduction of improved processes. The new processes</p>	<p>For the purposes of internal audit follow-up at Ryedale District Council, all actions from the 2021 audit report are considered satisfactorily completed and will be closed. Veritau will provide internal audit services to North Yorkshire Council and assurances will be sought that arrangements are appropriate within the context of the new organisation.</p>

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						<p>have been in place since October 2022 and are subject to ongoing review as part of the phased implementation, and related project monitoring.</p> <p>Work remains ongoing to address some issues raised in the June 2021 report. This centres on management information and reporting arrangements. A 'WES Review Project Board' has been established to oversee an agreed project plan and implement recommended improvements.</p>	
Safeguarding (follow-up) (December 2022)	This was a follow-up audit of findings contained in the October 2020 report. The previous audit received Limited Assurance.	No Opinion Given	0	0	0	<p>The majority of findings raised in the 2020 safeguarding internal audit report have been effectively addressed and the related control gaps or weaknesses resolved.</p> <p>Effective actions have been taken to address weaknesses highlighted in areas such as the policy and procedure framework, training, procurement and contract management, and recruitment. As a result, appropriate controls are in place to ensure the Council meets its safeguarding responsibilities in these areas.</p> <p>Three actions agreed at the time of the audit remain outstanding. This includes delivery of refresher training for councillors, defining a frequency for</p>	The upcoming changes as a result of LGR will mean that systems at the existing authorities will be combined into a single central system. It is likely that the weaknesses identified in this report will be addressed with the creation of the new North Yorkshire Council. As such, for the purposes of internal audit follow-up, the 3 outstanding actions are considered redundant and so will be closed. Safeguarding will remain a key corporate priority for

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						renewal of DBS checks, and capturing staff awareness and understanding of information security policies.	North Yorkshire Council. Veritau will provide internal audit services to North Yorkshire Council and assurances will be sought that policy requirements are complied with consistently across the new organisation's areas of operation.
Cyber awareness and email security (January 2023)	This audit reviewed the training and guidance provided to staff to raise cybersecurity awareness. It also reviewed email security controls and configuration against National Cyber Security Centre best practice.	Substantial Assurance	0	0	5	<p>We compared the Council's email security configuration with the NCSC's Malicious Emails Strategies guidance and found that they were generally compliant. The Council uses a third-party ICT Support company, Razorblue, to implement its email security and we found that the email filtering is configured in a secure way.</p> <p>The Council has good attachment filtering controls in place. These controls reduce the risk of malware reaching a user's email account. A whitelist and a blacklist has been applied to incoming emails. In addition, there are controls in place for email body filtering, including scanning links in email bodies for malicious content before the user receives them. Suitable controls exist to protect the Council's email domain.</p>	The Council has improved its password strength requirements. The remaining control weaknesses will all be addressed as part of work being undertaken by the LGR Cybersecurity sub-work stream.

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						<p>Some areas of improvement were identified that could improve email security. Firstly, there is no notification provided to staff when emails are received from senders outside of the Council's network. This poses a risk because emails originating from outside the organisation are more likely to contain malware. The Council also lacks a fully encrypted method of sending emails and attachments and there was no means of preventing a large-scale spam situation that may originate from one of the Council's email accounts. The minimum character requirement for password length that users use to access their email accounts also fell below what we would expect as best practice.</p> <p>The Council has not carried out any exercise to determine the cybersecurity awareness of its staff. This is preventing ICT from having a complete picture of staff knowledge of cyber risks and, therefore, their susceptibility to falling for phishing scams.</p>	
Section 106 agreements and CIL	This audit involved a review of how the Council administers Section 106 and CIL.	Reasonable Assurance	0	2	2	Except for affordable housing obligations, the Council no longer uses S106 agreements to apply planning obligations to new planning applications. Instead, it	A consolidated list of all S106 and CIL funds will be created from existing spreadsheets which hold

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
(January 2023)	It included review of procedures to ensure accurate and consistent application of Section 106 and CIL, income collection and monitoring processes, processes for spending Section 106 monies, and monitoring and reporting of remaining balances.					<p>uses the Community Infrastructure Levy (CIL).</p> <p>We checked all planning applications decided during 2021/22 to determine if any applications were of the type which should have either a S106 agreement relating to affordable housing or a CIL. We found that there were no applications which should have had a S106 agreement and only 9 applications to which a CIL needed to be applied. CIL had been correctly applied in all 9 applications.</p> <p>All income due from S106 agreements relies upon records held by Finance in the form of an Excel spreadsheet. This is a record of those S106 agreements where income has been received. The Finance spreadsheet is not a list of all applications with a S106 agreement or CIL attached. Such a list should be maintained and monitored by the Planning service. However, no such list is held. This means that there is no record of exactly what monies are due from developers as a result of S106 agreements entered into or from applications attracting CIL.</p> <p>At the time of the audit, no officer was tasked with carrying out the CIL income</p>	<p>this information to ensure that it easy to spot how funding is being used and any trigger points are highlighted. This will be created and maintained by finance but responsibility for specific areas will remain within the service areas.</p> <p>A summary will be drawn up of the various s106 programmes, co-ordinated by finance, to set out the unspent balances and any relevant deadlines.</p> <p>An officer is now undertaking monitoring of CIL applications.</p> <p>The 2020/21 Infrastructure Funding Statement has now been published on the Council's website.</p>

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						collection process, with the Council holding a significant amount of unspent CIL on 31 March 2022. Similar issues were noted with S106 contribution balances. There had also been significant delays with the publication of Infrastructure Funding Statements	
Council tax and NNDR (February 2023)	Areas covered included the taxable parties/properties database, discounts, exemptions, disregards and reliefs, accounting for income, arrears monitoring, and refunds and write-offs.	Substantial Assurance	0	0	0	<p>Appropriate processes are in place to ensure there is an up-to-date and accurate database of taxable properties and liable parties. Reconciliations between the Council's database and the VOA database are carried out on a weekly basis, as well as a monthly reconciliation to ensure liability information matches.</p> <p>Exemptions, discounts, disregards, and reliefs applied during 2022/23 were reviewed. In all cases reviewed, appropriate evidence was found on Civica evidencing the legitimacy of the discount, exemption, relief or disregard applied to the account.</p> <p>We saw evidence of recovery processes being followed appropriately during 2022/23. At the time of audit testing there were 392 records which needed to be reviewed and addressed before the end of the financial year. Our analysis found that 89% of outstanding council tax income and</p>	N/A

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						<p>90% of outstanding NNDR income is from the 2022/23 financial year, suggesting recovery processes are appropriate and working effectively.</p> <p>We found appropriate evidence had been recorded to explain the reason for the write-offs sampled, and the accounts had been adjusted appropriately.</p> <p>Refunds are approved following a two-stage authentication process. Northgate has inbuilt system controls which require the user authorising the refund to be different from the user setting it up, as well as limiting authorisation privileges. There is then a further authorisation process in Finance before the payment is made.</p>	
Everyone Active (February 2023)	This audit was made up of two parts. The first sought to confirm that the Council had provided Everyone Active with financial support during the Covid-19 pandemic that was in line with Government guidance. The second involved a review of	Reasonable Assurance	0	0	0	The Council took reasonable measures to ensure that financial support was provided to Everyone Active in line with government guidance. The three rounds of financial relief provided (July - September 2020, October 2020 - March 2021 and April 2021 - March 2022) were suitably scrutinised before agreements were reached. While the Council did not use the model interim payment terms provided by government in the PPN (a template contract that councils could consider using), the variation letters contained reasonable conditions to	Management response: As part of their involvement in the LGR sports and leisure working group, officers will ensure there is alignment between Everyone Active's Community Wellbeing plan and the new council's community and sports strategy so that the health and wellbeing needs of

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
	performance against the contract and of initiatives to realise wider social value.					<p>safeguard the Council. These included caps on payments and mechanisms to recover funds should Everyone Active perform better than expected.</p> <p>Options appraisals were presented to Members for consideration and approval. The Council hired a consultancy firm, FMG, specialising in the sports and active leisure industry to provide advice and scrutiny of financial data provided by Everyone Active .</p> <p>Everyone Active has operated on an open-book basis for the duration of the support agreement, providing management accounts each month in arrears. Following review by FMG and officers, invoices have been shared with the Council's Section 151 Officer and the Chair of Policy & Resources Committee for approval before payment. In addition, the Programme Director for Place and Resources and Economic Development Service Manager held monthly meetings with Everyone Active to monitor finances, performance, and operational issues.</p> <p>Both the Council and Everyone Active appropriately accessed additional sources of relief, such as the National Leisure Recovery Fund (NLRF). This helped to</p>	Ryedale residents are suitably considered.

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						<p>reduce the Council's actual additional expenditure, particularly in 2021/22. During the 2021/22 financial year, the Council paid £141k to Everyone Active, of which £67k came from the NLRF and £28k was the contractual management fee, meaning only £46k was additional expenditure to the Council. The last contract variation covering 2021/22 has ended and no further Covid-19 related financial support has been provided by the Council during 2022/23.</p> <p>While Everyone Active does conduct a number of community engagement activities (e.g. Exercise Referral Scheme), currently the Council does not monitor community outreach and engagement activities against a formal plan. As part of its Covid recovery strategy, Everyone Active has implemented a Community Wellbeing Strategy. Part of the strategy is to develop local Community Wellbeing plans aligned with local authority priorities. At the time of the audit, Council officers had not had input into a local community wellbeing plan.</p>	

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
Housing benefits (February 2023)	Areas covered included processing of new claims, changes to existing claims, and overpayments and write-offs.	Substantial Assurance	0	0	0	<p>Allowances that are used to calculate the benefits claim on the Northgate system were tested and confirmed as accurate. New benefit claims are being processed within reasonable timescales and supporting documents are consistently retained to support the claim. A checklist is in place to ensure that quality assurance checks are performed completely and correctly on new claims and on changes to claims that exceed 10%. Records of the quality assurance checks are kept on the Civica document management system.</p> <p>Benefit case appeals are reviewed by an independent assessor who is not employed by the Council.</p> <p>Overpayments are minimised through the production and review of exception reports that list cases where the benefits in payment have changed by more than 10% since the previous payment.</p> <p>Procedures are in place for recovering debts. These set out the minimum amount that the Council can expect to receive each week on outstanding amounts. A sample of cases confirmed that this was being followed</p>	N/A

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
Creditors (February 2023)	Areas covered included ordering, authorisation and receipting, payment performance, duplicate payment controls and mandate fraud controls.	Reasonable Assurance	0	1	0	<p>Analytical review undertaken on creditor data confirmed that all orders had been raised, approved and receipted in line with procedures. 72% of invoices were found to have been paid within agreed payment terms. However, 25% of late payments took more than 100 days to be made.</p> <p>Civica Financials includes a warning message which flags to staff if a possible duplicate payment is to be made. Officers are able to override this. There are situations where an override is required, such as if an invoice needs to be processed twice due to a prior cancellation. No duplicate payments were identified during testing.</p> <p>A sample of 5 bank changes was reviewed and discussed with officers. Issues were found in 3 of the 5 cases reviewed where evidence and/or notes had not been retained on the Civica Financials system. There were no explanatory notes to explain why the change had been made in all cases, and no evidence from the supplier was retained in 2 cases.</p>	The Senior Financial Support Officer has made finance staff aware of the importance of fully documenting changes to supplier details.
Debtors (February 2023)	Areas covered included timeliness and accuracy of invoicing, income	Substantial Assurance	0	0	0	Testing found that invoices had been raised in good time. The process for undertaking daily debtor income reconciliations between the Capita system and general ledger was	N/A

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
	reconciliation, debt recovery processes and write-offs.					<p>covered within the 2022/23 main accounting system audit. No issues were noted.</p> <p>Procedures for sending reminders, final letters, and engaging debt collection agencies has continued to be followed. Total outstanding debt reduced from £1.3m in March 2020 to £932k in December 2022. Accounts on hold continue to be monitored.</p> <p>In March 2022 a debt write-off amount of £4.1k had been authorised in accordance with the Council's Financial Procedures by officers with appropriate delegated authority. An additional list of nine debts, totalling £2.7k, was provided during the audit but we were not able to confirm that these debts had been written off in accordance with delegated authority.</p>	
Main accounting system (February 2023)	Areas covered included access controls, file interfaces, journals and virements, suspense account monitoring and bank reconciliation.	Reasonable Assurance	0	0	0	Several council systems record financial transactions and the data from these systems is input to the financial management system, Civica Financials, through feeder files. The Finance Support Team use the totals from the daily auto-generated reports to populate a spreadsheet which reconciles the feeder systems data to the balance held in the general ledger in Civica Financials. This is	N/A

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						<p>done on a daily basis and ensures that the files have uploaded to the general ledger accurately and completely.</p> <p>Three users have "Full access to the GL" permissions. Our understanding is that this would allow these users to post journals with a value of up to £10 million without the requirement for independent authorisation. We have previously raised this issue but have not done so again due to the impending change in general ledger system being brought about by LGR.</p> <p>All journals posted within the system, including recoded journals, had been appropriately authorised. Each journal had a unique reference number and included explanatory narrative. There is an established process in place to regularly monitor the suspense account for mis-posted transactions. The suspense account is reviewed and transfer journals posted mostly on a daily basis, and a narrative is provided to explain each transfer.</p> <p>Bank reconciliations are completed promptly on a monthly basis for the general, direct credits, direct debits and drawings accounts. These are then combined into a monthly consolidated</p>	

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
						reconciliation. However, no evidence of second officer review or authorisation is recorded. No action has been agreed due to anticipated changes brought about by LGR.	

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.