

Final Internal Audit Report

Sundry Expenditure – Compliance Checks

July 2023

Distribution: Corporate Director of Resources and S151 Officer
Director of Finance (Deputy S151 Officer)
Head of Finance – (Interim)
Head of Payments, Revenues, Benefits and Debt
Transactional Finance Manager

Assurance Level	Identified Issues	
Substantial Assurance	Priority 1	0
	Priority 2	1
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

1.1 Ad hoc payments are those that 'do not' fall into the category of bought in goods and services and therefore, do not require a purchase order to be raised. Although the list below is not exhaustive, these are some examples of appropriate payments through the ad hoc payment route:

- TV licences;
- Expenses (where the process of submitting claims cannot be completed through My Resources employee self-service);
- Payments to individual customers, including refunds;
- Payments to other local authorities or public sector organisations where the payment relates to a levy or grant provided by another public authority on behalf of Croydon Council;
- Grant payments, loans or funding payments to individuals, community groups or voluntary/charitable organisations;
- Rent payments, including car parking spaces;
- Any payments instructed by the court;
- Car loans;
- Pensions payments/contributions;
- Petty cash.

Ad hoc type payments are either processed on MyResources as either one-time payments (OTP) or as manual ad hoc payments (Ad hoc).

1.2 OTP are submitted via self-service using an online smart form, with the responsibility with the approver to verify and confirm that the correct backing documentation has been attached and that the payment is appropriate. All Ad hoc payments are also reviewed and approved by the Spend Control Panel.

1.3 Manual ad hoc payment requests are submitted to the Accounts Payable Team, where these are checked against the Scheme of Delegation and to the supporting evidence attached, which must be valid. The only payments that are allowed to be processed manually were agreed by the teams concerned and the Head of Finance.

1.4 The fieldwork for this review was completed remotely in response to COVID-19. While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.

1.5 This audit is part of the agreed Internal Audit Plan for 2021/22. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues**Priority 2 Issues**

A key element to the processing of OTP's is that these payments after approval by the budget holder are then reviewed and approved by the Spend Control Panel before being added to the payment run. This has helped ensure that

payments are appropriate and have relevant supporting documentation, although this is not able to help ensure that payments are timely.

It was explained that there is an option for OTPs to be routed to a second officer for group of approvers prior to being added to the payment run.

There is a risk, should the Spend Control Panel be discontinued, that OTPs with not always be appropriate or have relevant supporting documentation. **(Issue 1)**

There were no Priority 3 issues identified.

3. Actions and Key Findings/Rationale

Audit Area: One Time Payments

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
2	<p>The Spend Control Panel meet daily to review OTPs outstanding. Following a number of visits to BWH in 2022 by bailiffs chasing outstanding court related OTPs, an investigation by the Head of Internal Audit concluded that the legal team needed to be more vigilant to court correspondence which has been actioned.</p> <p>The Spend Control Panel will continue beyond the period covered by the S114 notice.</p>	<p>OTP are submitted via self-service using an online smart form, with the responsibility with the approver to verify and confirm that the correct backing documentation has been attached and that the payment is appropriate. Once approved these OTP's will be added to the next payment run.</p> <p>Examination of the supporting documentation for a sample of 30 'One Time Payments' and 30 'Manual Ad Hoc Payments' from April 2021 to March 2022 confirmed that appropriate supporting documentation was held in each case, although the following three instances were noted where the OTPs were not timely:</p> <ul style="list-style-type: none"> • OTP7658 – dated 30/11/2021, date on supporting documentation 21/10/2021, a difference of 40 days. This was a court directed payment, which was paid after the court deadline of four weeks. • OTP7963 – dated 16/12/2021, date on supporting documentation 29/10/2021, a difference of 48 days. This was an Ombudsman awarded claim, which should have been paid as a priority. • OTP8256 – dated 30/01/2022, date on supporting documentation 29/09/2021, a difference of 124 days. This was a staff reclaim for service-related expenditure, which should have been claimed within a maximum of 60 days. <p>It should be noted that a key element to the processing of OTP's is that these payments after approval by the budget holder are then reviewed and approved by the Spend Control Panel before being added to the payment run. This has helped ensure that</p>

		<p>payments are appropriate and have relevant supporting documentation, although this is not able to help ensure that payments are timely. At the time of the audit fieldwork, the Spend Control Panel was intended to be a temporary measure while the Council is in financial difficulty. It was explained that there is an option for OTPs to be routed to a second officer for group of approvers prior to being added to the payment run.</p> <p>There is a risk, should the Spend Control Panel be discontinued, that OTPs will not always be appropriate or have relevant supporting documentation.</p>
Responsible Officer	Deadline	
Director of Finance (Deputy Officer) S151	Ongoing	

AUDIT TERMS OF REFERENCE

Sundry Expenditure – Compliance Checks – 2021/22

1. INTRODUCTION & BACKGROUND

1.1 Ad hoc payments are those that 'do not' fall into the category of bought in goods and services and therefore, do not require a purchase order to be raised. Although the list below is not exhaustive, these are some examples of appropriate payments through the ad hoc payment route:

- TV licences;
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1.4 This audit is part of the agreed Internal Audit Plan for 2021/22.

2. AUDIT OBJECTIVES AND METHODOLOGY

2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.

2.2 The audit will for each controls / process being considered:

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- Walkthrough the processes to consider the key controls;
- Conduct sample testing of the identified key controls, and
- Report on these accordingly.

3. SCOPE





3.1 The audit included the following areas (and number of issues identified):

Audit Area	Identified Issues		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisational, Management and Legislative Requirements	0	0	0
Manual Ad Hoc Payments	0	0	0
One Time Payments	0	1	0
Financial and Management Reporting	0	0	0
Totals	0	1	0

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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