

# Final Internal Audit Report

## Bank Accounts

### April 2024

Distribution: Corporate Director of Resources and S151 Officer  
Director of Finance (Deputy S151 Officer)  
Pension Fund Investment Manager  
Interim Head of Corporate Finance  
Transaction Finance Manager

Assurance Level	Issues Identified	
Limited	Priority 1	4
	Priority 2	3
	Priority 3	3

#### 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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and 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, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk.

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

**Contents**  
**Page****Executive Summary**

1. Introduction  
**Error! Bookmark not defined.**
  2. Key Issues 4
- 

**Detailed Report**

3. Actions and Key Findings/Rationale 5
4. Priority 3 issues 19

**Appendices**

1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

**1. Introduction**

- 1.1. According to the London Borough of Croydon (“the Council”)’s Draft Accounts for 2020-21, the Council held ~£97m of cash and cash equivalents as of 31 March 2021. In addition, the Council was making use of bank overdraft facilities to the value of ~£68m.
- 1.2. The Council maintains a consolidated main bank account with NatWest, within which there are five ‘virtual’ accounts maintained: the General Fund, Cash Collection (CTS), Housing Benefit (HB), Salaries, and Accounts Payable (AP). Each account serves a particular purpose, and it is important that funds are transferred to/from the appropriate accounts. Regular monthly reconciliations are undertaken to identify variances between the bank statements and the Council’s internal financial records.
- 1.3. The Pensions and Treasury Team manage the relationship with the bank at the Council. The Corporate Finance Team should complete monthly reconciliations of the salaries and general account. In practice, the Interim Head of Corporate Finance reviews these reconciliations. The Transactional Finance Team should complete monthly reconciliations of the AP (Accounts Payable), CTS (Cash Collection) and HB (Housing Benefits) accounts. According to Council Finance Procedures, the Transactional Finance Manager should review these reconciliations, and these should be sent to the Interim Head of Corporate Finance and the Interim Principal Accountant.
- 1.4. According to the June 2020 Financial Regulations, any additions to or removals from the List of Signatories for all Council bank accounts should be approved by the Chief Finance Officer.
- 1.5. Management advised that segregation of duties is built-in to Bankline (Natwest’s online banking) as users are either set up with input or approval rights, but not both. Bankline is used to make payments from the bank accounts, and we were advised that users must have a Bankline log-in, a bank card, card-reader and enter the correct PIN when logging in. The Acting Head of Pensions and Treasury advised that there is single factor authentication for payments between the Council’s bank accounts because this would be an internal transfer.
- 1.6. Management advised that the Council also run bank accounts on behalf of some schools in the Borough. Therefore, the List of Signatories and Bankline users include staff members at schools. There were 189 users listed on the NatWest Bankline User Report from 8 June 2023 (although some users may be inactive/suspended etc.).
- 1.7. There was a report on the Council’s Financial Reporting and Year End Close Arrangements in July 2022 by an independent consultant. This raised recommendations relating to reconciliations and was included in the Audit and Governance Committee Agenda Pack for the March 2023 meeting. Our work does not provide assurance over the progress made towards implementing the recommendations from the above report.

- 1.8. This audit does not provide absolute assurance over all risks relating to bank account activities. This audit focussed on procedural documentation in relation of the maintenance and administration of bank accounts, oversight and control of the accounts, reconciliations and management information.
- 1.9. This audit is part of the agreed Internal Audit Plan for 2023/24. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

## 2. Key Issues

### Priority 1 Issues

There was no policy around the management of bank accounts in place meaning that the Council could not determine they had sight of all bank accounts held, and roles and responsibilities were not defined in relation to this. **(Issue 1)**

There is no regular review of the List of Signatories and the staff members with access to Bankline, with the most recent review being in November 2022. Management identified two signatories who have left the Council. Sample testing of ten active Bankline users identified that two active users have left the Council. Although a user would require their card reader, management advised that Bankline can be accessed from any device, and not just a Croydon issued laptop. **(Issue 3)**

Reconciliations have not been prepared on a monthly basis for the general, salaries and general suspense accounts. These restarted in May 2023, with cumulative reconciliations being prepared for 2022/23. A review of these reconciliations indicated that these were incomplete, with explanations not being added to the document and key pieces of information (such as the date of preparation or approver's name) missing from the documents. **(Issue 6)**

The Corporate Finance Team identified that settlement payments were made out of the salary account, meaning that they had bypassed the usual governance and approval processes for payments. **(Issue 7)**

### Priority 2 Issues

Several procedural documents did not include version control. Whilst there is an expectations document in place, there is no complete and up-to-date procedure around the general account reconciliation process. The Salary Bank Reconciliation Procedure had not been reviewed since 2018. **(Issue 2)**

Evidence of approval for adding/removing signatories to the List of Signatories, and for adding new users to Bankline was not centrally retained. **(Issue 4)**

Processes in relation to the use and management of bank accounts were not documented (for instance, the use of two factor authentication for external online banking transactions). **(Issue 5)**

The Priority 3 recommendation(s) is/are included under item 4 below.

**3. Actions and Key Findings/Rationale**

**Control Area 1: Regulatory, Organisational and Management Requirements**

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 1				
1	<p>The Council will produce a policy in relation to use of bank accounts that will set out:</p> <ul style="list-style-type: none"> <li>- How the council ensures all bank accounts are accounted for</li> <li>- When separate accounts are to be used</li> <li>- Roles and responsibilities around managing bank accounts</li> </ul>	<p><b>Expected Control</b></p> <p>The Council identifies all bank accounts it holds to ensure appropriate oversight. There is a documented policy in place in relation to the management of bank accounts. Roles and responsibilities in relation to the management of bank accounts are clearly defined to ensure gaps or duplications are identified.</p> <p><b>Finding/Issue</b></p> <p>The Acting Head of Pensions and Treasury advised that they were unsure of whether they had sight of all of the Council’s bank accounts as there was no central document listing all bank accounts the Council holds.</p> <p>Roles and responsibilities in relation to this area were not documented. Given that different aspects of the management of bank accounts were allocated to different teams (such as reconciliations or managing users), clarity around different team’s responsibilities would be important.</p> <p><b>Risk</b></p> <p>Roles and responsibilities are not defined, resulting in gaps or duplications. Management procedures for bank accounts are inconsistent. The Council is not aware of the bank accounts it holds, leading to potential fraud or financial loss due to lack of effective financial control.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Interim Head of Corporate Finance and Head of</td> <td>September 2024</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Interim Head of Corporate Finance and Head of	September 2024	
Responsible Officer	Deadline					
Interim Head of Corporate Finance and Head of	September 2024					

Pensions & Treasury		
---------------------	--	--

**Control Area 1: Regulatory, Organisational and Management Requirements**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
2	Procedures relating to the use and reconciliation of bank accounts will be finalised. New and existing procedures will have version control added.	<p><b>Expected Control</b></p> <p>There are finalised procedures in place relating to the account reconciliation process which reflect current practice. Procedures in place at the Council are finalised following approval of a draft. Policies and procedural documents are version controlled.</p> <p><b>Finding/Issue</b></p> <p>Through discussions with management, it was established that there was no policy or procedure in place around the management of bank accounts. Whilst there are customs and practices that have been adopted in practice regarding bank accounts at the Council, these are not documented.</p> <p>Review of the following documents relevant to the scope of this audit noted a lack of version control in some cases (meaning it was not possible to verify whether these had been reviewed/updated where necessary):</p> <ul style="list-style-type: none"> <li>• Procedure around Processing Accounts Payable (AP) Manual Payments on Bankline (dated November 2016 with the System Support and Development Officer as the policy owner);</li> <li>• Procedure for Unidentified Monthly Movement Journal (dated December 2016 with the Senior Technical Cash and Control Officer as the policy owner); and</li> </ul>

- Procedure for Unidentified Monthly Reconciliation (dated December 2016 with the Senior Technical Cash and Control Officer as the policy owner).

Whilst there was a procedure note in place relating to Direct Debits, this was in draft format and had not yet been finalised. This outlined when the Council will agree the use of direct debits, approval of expenditure, creation of new direct debits and management of existing direct debits. The draft Procedure Note included a template for a Direct Debit Request Form.

There were procedures in place around the general account reconciliation process from 2018, however these were outdated and were therefore not provided. This is because the Council changed their ledger system in 2019/20, and processes and staff have also changed since then. The procedures have not yet been updated to reflect current practice. Management advised that an external consultant had reviewed the reconciliation process for the general account at the Council, but that this had led to an excel-focused reconciliation. The Interim Head of Corporate Finance advised that he will be reviewing the process for the general account to ensure this focuses more on the reason for variances to improve understanding.

Whilst there was a document in place setting out expectations for the general account reconciliation process which was used a basis to which the Team could refer if needed, the document itself noted that this was a starting point, and more detail was required. This did not include the timescale within which reconciliations should be prepared.

There was a Salary Bank Reconciliation Procedure which was last reviewed in 2018 according to the document. No evidence was available for review or approval in 2018, but the Interim Head of Corporate Finance advised that he would have been the approver and the author would have been a member of his team. This did not include the timescale within which reconciliations should be prepared.

Procedural documents were in place for the AP, CTS and HB reconciliation process, but these did not include timescales around the frequency of review or approval requirements.

		<b>Risk</b>
		There are outdated procedural documents in place, leading to inconsistent approaches. Key requirements around the reconciliation process (such as the timescale within which these should be prepared) are not documented, leading to reconciliations being prepared late and variances that could indicate error or fraud are not identified in a timely manner.
<b>Responsible Officer</b>	<b>Deadline</b>	
Interim Head of Corporate Finance	September 2024	



**Control Area 2: Oversight and Control of Accounts**

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3
1	<p>The use of bank account procedure referred to in Issue 1 will include procedures to ensure a regular review of bank signatories.</p> <p>The procedure will require the retrieval of Bankline equipment before Users leave the Council. Users and their managers will be expected to take responsibility for ensuring compliance.</p>	<p><b>Expected Control</b></p> <p>Access to Bankline is restricted to approved Signatories, with only appropriate Council staff having access. Staff who leave the Council should have their Bankline logins promptly deactivated.</p> <p>Additionally, there is regular, routine review of the List of Signatories and Bankline users. Inactive Bankline users’ access is removed. Leavers are removed from the List of Signatories and Bankline in a timely manner. Reports generated from Bankline and the List of Signatories should distinguish between School and Council employees to improve oversight, and the School Finance Team should also routinely review the two lists to ensure access is appropriate.</p> <p>Where the Council identify staff who have left the Council but did not have their Bankline logins deactivated, they should review whether these logins have been used since and whether any further investigation is required.</p> <p><b>Finding/Issue</b></p> <p>The most recent copy of the List of Signatories (provided by the Bank) held by the Council is from November 2022, meaning the list has not been reviewed since at least this date. Management advised the last review of users would have taken place two to three years ago, although this could not be documented. Internal Audit testing of the NatWest Bankline User Report from 8 June 2023 found that one current user had last logged into Bankline in November 2015, meaning the account was active but had not been used in nearly eight years.</p> <p>Management advised there was no review cycle in place for the List of Signatories and Bankline users and indicated that there was a lack of clear understanding around which</p>

team would be responsible for these reviews. The Bankline User Report and the List of Signatories also did not distinguish between School users, and general Council members. Management advised there is a School Finance Team in place who are trying to identify which staff members at schools are required to be signatories and have Bankline user access to ensure this is appropriate.

Upon auditor review of the List of Signatories, the Acting Head of Pensions and Treasury noticed two signatories listed that had left the Council and were no longer employees (Nish Popat and Matthew Davis).

Audit testing of a sample of 10 signatories from the List of Signatories was selected (excluding the two signatories already identified as leavers), for further testing which identified that eight of the 10 were not listed on an export of active employees from the HR system, My Resources. These exceptions were raised with Management, who advised that the eight signatories work at schools and would therefore not be on the HR export. However, as Management do not have access to a comprehensive list of school staff, they cannot quickly verify that this is the case.

Audit testing of a sample of 10 active users from the NatWest Bankline User Report (excluding those who we were advised work at schools) from 8 June 2023 was selected, found that two employees with active Bankline access were not listed on the HR export. Management advised that these two employees have left the Council and their access was not removed (which should be done as part of the exit process). During discussion we were advised that active users can log on to Bankline from any device (and not just a Croydon laptop) but they would need a card reader to make payments. Management did not inform us of any specific process in place to ensure that card readers are collected from leavers.

### **Risk**

Staff members who have left the Council can still access bank accounts and make payments. Leavers listed as signatories can also still authorise payments. This would result in fraud and financial loss for the Council, as well as reputational damage. There

Responsible Officer	Deadline	
Head of Pensions & Treasury	September 2024	is no oversight of school staff members listed as signatories and with Bankline access, leading to users having inappropriate access.

**Control Area 2: Oversight and Control of Accounts**

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 4				
1	The procedures referred to in Issue 1 will include setting up, maintenance and approval of users on the bank’s Bankline software.	<p><b>Expected Control</b></p> <p>Evidence of approval is centrally retained to demonstrate compliance with the Financial Regulations and internal practices. The process around setting up new users on Bankline is documented, including detail around approval requirements.</p> <p><b>Finding/Issue</b></p> <p>According to the Financial Regulations, additions to or removals from the list of authorised signatories for all Council bank accounts will be approved by the Chief Finance Officer. The Acting Head of Pensions and Treasury advised that this approval is not recorded or centrally retained. Sample testing on this area was therefore not possible.</p> <p>Management advised that, when setting up a new user on Bankline, an email from the Head of Service would generally be received, stating that a new staff member requires access and the level of access required. The Acting Head of Pensions and Treasury would then assign a role that would mirror someone else in the team and grant that access. The approval email from the Head of Service was not centrally saved. As above, sample testing on this area was therefore not possible because this evidence was not easily accessible. This procedure was also not documented.</p> <p><b>Risk</b></p> <p>A lack of defined procedure around granting user access to Bankline leads to inconsistent approaches. This means that users are set up without adequate approval. Approval for adding staff members to the List of Signatories and to Bankline cannot be demonstrated because it is not centrally retained.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Pensions &amp; Treasury</td> <td>September 2024</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Pensions & Treasury	September 2024	
Responsible Officer	Deadline					
Head of Pensions & Treasury	September 2024					

**Control Area 2: Oversight and Control of Accounts**

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 5				
2	These control risks will be addressed by the bank procedures referred to in Issue 1.	<p><b>Expected Control</b></p> <p>Key processes in relation to the management of bank accounts are documented to ensure consistency in approach.</p> <p><b>Finding/Issue</b></p> <p>During our review it was noted that requirements around key processes in relation to bank account management were not documented. This included:</p> <ul style="list-style-type: none"> <li>• Details around which individuals should be signatories for bank accounts;</li> <li>• Details around which individuals should be users on Bankline;</li> <li>• Details around how to set up new users on Bankline and approval requirements (in practice, this is an email from the Head of Service);</li> <li>• Arrangements for retaining information relating to the Head of Service authorisation for adding a new user to Bankline, and the CFO authorisation for adding or removing a signatory (in line with the June 2020 Financial Regulations); and</li> <li>• Details around the requirements for online banking transactions (including the requirement for two factor authentication using card readers which came into place during the pandemic).</li> </ul> <p><b>Risk</b></p> <p>A lack of documented procedures leads to an inconsistent approach, leading to inappropriate access levels or online banking transactions being carried out incorrectly and without sufficient approval.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Interim Head of Corporate Finance and Head of Pensions &amp; Treasury</td> <td>September 2024</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Interim Head of Corporate Finance and Head of Pensions & Treasury	September 2024	
Responsible Officer	Deadline					
Interim Head of Corporate Finance and Head of Pensions & Treasury	September 2024					

**Control Area 3: Accounting & Reconciliations (including suspense)**

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 6
1	<p>Some reconciliations are inherently different, which will make a consistent format hard to achieve.</p> <p>However, the summary of reconciliations can be harmonised.</p> <p>This will be incorporated into the wider review of bank reconciliations that is taking place, which is awaiting the implementation of a new team structure as well as better use of technology.</p>	<p><b>Expected Control</b></p> <p>Reconciliations for all accounts, including exceptions reports of unidentified payments on the accounts occur monthly. These are fully completed with explanations for all variances documented on the reconciliation before approval. A consistent format is used for reconciliations to ensure that key pieces of information are completed (such as date of preparation or name of approver). There is a checklist used to monitor preparation and completion of reconciliations.</p> <p><b>Finding/Issue</b></p> <p>Following the 2019/20 Banking audit finalised in March 2022, the Interim Head of Corporate Finance advised they have re-started monthly reconciliations of the salary and general accounts since being notified of the audit in May 2023. Evidence of two reconciliations for each account had been prepared at the time of the audit (July 2023), as follows:</p> <p>1) For the general account, a 2022/23 cumulative reconciliation and an April 2023 – May 2023 reconciliation had been prepared. It was noted that:</p> <ul style="list-style-type: none"> <li>• The date of preparation was not completed on one reconciliation;</li> <li>• The approver had not stated his name on the other reconciliation;</li> <li>• The approver had caveated the approval to state that the process for the reconciliations was being reviewed to make this more focused on the explanations for variances;</li> <li>• Different formats had been used for both reconciliations; and</li> </ul>

		<ul style="list-style-type: none"> <li>• Evidence was not provided for June 2023 (requested 24 July 2023).</li> </ul> <p>2) For the salary account, a 2022/23 cumulative reconciliation and an April 2023 – June 2023 reconciliation had been prepared. It was noted that:</p> <ul style="list-style-type: none"> <li>• Both reconciliations were incomplete with gaps in investigations for variances. For one reconciliation, Management advised that there would have been a verbal discussion around the variances but the reconciliation itself had not been updated;</li> <li>• One reconciliation had an approval date during the audit period; and</li> <li>• Two versions of the 2022/23 salary reconciliation were provided with different approval dates stated.</li> </ul> <p>3) For the general suspense account, an April 2023 – May 2023 reconciliation and a June 2023 reconciliation had been prepared. It was noted that:</p> <ul style="list-style-type: none"> <li>• Both reconciliations had an approval date during the audit period; and</li> <li>• One reconciliation was incomplete with gaps in investigations for variances. Management advised that there would have been a verbal discussion around the variances but the reconciliation itself had not been updated.</li> </ul> <p>Whilst there used to be a reconciliation checklist in place for the salary, general and general suspense account reconciliations when the Interim Head of Corporate Finance previously worked at the Council, there was no checklist in place at the time of the audit to monitor completion and review of reconciliations.</p> <p>A review of the January 2023 – March 2023 AP, HB and CTS reconciliations illustrated that there is a ‘queries’ tab. Management advised during discussion that explanations are not required to be listed for all differences on this tab, for example if there are clear reasons. However, this meant that there were instances where the explanations were not clear when reviewing the reconciliations.</p>
Responsible Officer	Deadline	
Interim Head of Corporate Finance	October 2024	<b>Risk</b>

		Reconciliations are not fully completed on a timely basis every month leading to errors or fraud not being detected in a timely manner.
--	--	---



**Control Area 3: Accounting & Reconciliations (including suspense)**

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 7
1	<p>An agreed process will be agreed between Corporate Finance and Payroll to ensure urgent payments will be reflected promptly and accurately in the Council’s ledger system.</p> <p>Any previous payments made will be identified and reflected in the ledger.</p>	<p><b>Expected Control</b></p> <p>All bank accounts are continually monitored to identify and investigate payments to/from unusual or unexpected individuals. The Council continue to investigate why settlement payments have been made out of the salary bank account and continue to monitor the salary account.</p> <p><b>Finding/Issue</b></p> <p>The Interim Head of Corporate Finance advised that, since rejoining the Council in February 2023, their team has started to monitor the salary bank account. We were advised no evidence of monitoring or reconciliations of the salary account was available whilst they were away from the Council (see Issue 6 for further detail).</p> <p>During this monitoring of the account, the Finance Team noticed that settlement payments to former staff had been made directly out of the salary bank account and they could not see this recorded in the general ledger. Management advised the payroll system is integrated in the ledger so there should be a clear record of who the Council are paying and the reason for this. Management advised that the only place they should pay money out of is the payments bank account (except salaries account).</p> <p>The Interim Head of Corporate Finance advised they would have expected HR to raise a payment request in the ledger using the payments workflow to generate settlement payments.</p> <p>Management advised that, when manual payments are made out of the salary bank account, it is unclear if this has happened in the ledger. The Head of Finance advised they have done a journal in the ledger to show this cash leaving (which is about £100k). They would have expected a one-time payment (not a creditor payment).</p>

		Management advised that the governance process for authorising payments (including spend control) is bypassed if the salary account is used.
		<b>Risk</b>
<b>Responsible Officer</b>	<b>Deadline</b>	Payments are made without appropriate approval or outside of the governance process because alternative accounts are used. The use of alternative accounts is not identified due to a lack of monitoring. This leads to potential fraud or financial loss.
Interim Head of Corporate Finance	October 2024	

#### 4. Priority 3 Issues

Agreed action	Findings
<p><b><u>Control Area 1: Legislative, Organisational and Management Requirements</u></b></p> <p><b><u>Action proposed by management:</u></b></p> <p>This will be incorporated into the implementation of the new Finance team structure.</p> <p><b><u>Responsible Officer:</u></b></p> <p>Interim Head of Corporate Finance</p> <p><b><u>Deadline:</u></b></p> <p>October 2024</p>	<p><b>Expected Control</b></p> <p>Training is developed on key financial procedures, including the reconciliation of the general, salaries and general suspense accounts. There is a handover period to ensure continuity if there is a change in staff members.</p> <p><b>Issue/Finding</b></p> <p>Management advised that there has been no training on preparing reconciliations for the salary, general and general suspense accounts, and there were no procedures in place for these reconciliations.</p> <p>Management advised that there would likely be changes in how the finance team is structured and operates in the future.</p> <p><b>Risk</b></p> <p>Staff involved in account management have not been adequately trained, leading to reconciliations being prepared incorrectly and reducing their effectiveness in monitoring bank accounts.</p>

Agreed action	Findings
<p><b><u>Control Area 3: Accounting &amp; Reconciliations (including suspense)</u></b></p> <p><b><u>Action proposed by management:</u></b></p> <p>Access to SharePoint will be amended when staff leave or join teams.</p> <p><b><u>Responsible Officer:</u></b></p> <p>Interim Head of Corporate Finance</p> <p><b><u>Deadline:</u></b></p> <p>Immediate</p>	<p><b>Expected Control</b></p> <p>There is a routine review of SharePoint users. Leavers’ access is removed as part of the exit process.</p> <p><b>Issue/Finding</b></p> <p>Reconciliation documents for the AP, HB and CTS accounts were saved to SharePoint. A review of users during a walkthrough MS Teams call for the Reconciliations Folder on SharePoint found that one user (Alistair Law) who was previously the Cash and Control Manager still had access to the folder despite leaving the Council. This leaver was part of the Cash and Control Management Group and was therefore able to access all files. It was noted that the user’s access was removed during the walkthrough call.</p> <p>Management advised there is currently no routine review of users who can access SharePoint files, and access should be removed when a staff member leaves the Council. It was noted that the SharePoint can only be accessed on a Croydon laptop and that SharePoint documents are version controlled and tracked.</p> <p><b>Risk</b></p> <p>Staff members have inappropriate access to key documents on SharePoint, leading to changes being made to files.</p>

Agreed action	Findings
<p><b><u>Control Area 4: Management Information</u></b></p> <p><b><u>Action proposed by management:</u></b></p> <p>Routine bank account information does not need to be escalated any further than the Interim Head of Corporate Finance and will be a distraction otherwise.</p> <p>The Interim head of Corporate Finance will continue to escalate any bank reconciliations to FTL or the Deputy Section 151 Officer as necessary on an exception basis.</p> <p><b><u>Responsible Officer:</u></b></p> <p>N/A</p> <p><b><u>Deadline:</u></b></p> <p>N/A</p>	<p><b>Expected Control</b></p> <p>The finalised procedures for general, salaries and general suspense accounts reconciliations (once developed) include the requirement for reconciliations to be sent to the Interim Head of Corporate Finance for review. The outcome of reconciliations and significant variances are discussed at Finance Leadership Team (FLT) meetings.</p> <p><b>Issue/Finding</b></p> <p>According to the procedural documents for the HB, AP and CTS reconciliations, copies of the reconciliation should be sent to the Interim Head of Corporate Finance and the Interim Principal Accountant. Management advised that the Interim Head of Finance would be the highest member of the Management Team who would have oversight of recommendations.</p> <p>For the salaries, general and general suspense account reconciliations prepared, the Interim Head of Corporate Finance was the approver. However, this requirement was not documented.</p> <p>Management advised that the outcome of reconciliations was not routinely reported to higher management and that significant variances were not discussed at finance meetings. The Interim Head of Corporate Finance advised that they would report on this by exception.</p> <p>Only the unidentified income balance on the general account is discussed at FLT meetings on an ad-hoc basis to try to identify this income. It was noted discussion of this was included in the May 2023 FLT minutes.</p> <p><b>Risk</b></p>

Agreed action	Findings
	There is a lack of timely financial information about bank accounts, leading to inappropriate and ineffective decision making.

## AUDIT TERMS OF REFERENCE

### Bank Accounts

#### 1. INTRODUCTION

- 1.1 According to the London Borough of Croydon (“the Council”)’s Draft Accounts for 2020-21, the Council held ~£97m of cash and cash equivalents as of 31 March 2021. In addition, the Council was making use of bank overdraft facilities to the value of ~£68m.
- 1.2 The Council maintains a consolidated main bank account with NatWest, within which there are five ‘virtual’ accounts maintained: the General Fund, Cash Collection, Housing Benefit, Salaries and Payables. Each account serves a particular purpose, and it is important that funds are transferred to/from the appropriate accounts. Regular monthly reconciliations are undertaken to identify variances between the bank statements and the Council’s internal financial records.
- 1.3 This audit is part of the agreed Internal Audit Plan for 2023/24.

#### 2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit for each control / process being considered:
- 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 This audit, focused on the Council’s arrangements in relation to Bank Accounts, was undertaken as part of the 2023/24 Internal Audit Plan. The specific scope included the following areas and recommendations:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management Requirements	1	1	1
Oversight and Control of Accounts	1	2	0
Accounting & Reconciliations (including Suspense)	2	0	1
Management Information	0	0	1
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>

## 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:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	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.

Registered office: 30 Old Bailey, London EC4M 7AU, United Kingdom. Registered in England and Wales No 0C308299.