



# Hinckley and Bosworth Borough Council: Internal Audit Final Report Main Accounting (05.2023/24)

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**Reporting Timetable**

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Comments Received: 22/10/24

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## Your One Page Summary

**Audit Objective:** assess the design and effectiveness of the control framework for managing the Council’s Accountancy System and General Ledger for 2023/24

### Audit rationale

#### Why the Audit is in Your 2023/24 Plan

To ascertain that the internal controls relating to the Council’s Accounting System and General Ledger provide complete and accurate financial information.

#### Your Strategic Risk

S.58 Balanced MTFS

#### Your Strategic / Tactical Objective

N/A - no specific strategic or tactical objective

### Summary of our opinion

#### Substantial Opinion

See Appendix A1 for definitions

#### Summary of Recommendations

High Priority	-
Medium Priority	-
Low Priority	3

Actions agreed by you	100%
Overall completion	April 2025

X

### Summary of findings

#### Examples of good practice

- ✓ Key reconciliations are performed monthly and approved by appropriate members of the Finance Team, verified for January to March 2024
- ✓ Password Controls limit access to the General Ledger and approvals are inbuilt for posting manual journals
- ✓ Quarterly reporting of financial performance is in place to Finance Performance and Scrutiny Panel and Senior Leadership Team relating to Quarter 2, 3 and Year end for 2023/24.

#### Highest Priority Findings

- Leavers’ accounts remaining on the Finance System Civica
- Lack of procedural guidance relating to journals and virements.
- Instances of journals with no narrative

#### Key root causes

- A lack of periodic reconciliation to confirm the business case for staff with Civica access.
- The Finance Team have been constant for several years. As such there has not been the perceived need for ongoing training.
- A lack of specific guidance requiring journal narratives and circumstances

## 01 Summary Action Plan

Below is a high level summary of the actions that are intended to support your management of this risk area. Further detail about our findings, which have been discussed with management, are provided in our detailed action plan (see 03 Detailed Action Plan).

Ref	Recommendation	Priority	Responsible Person	Due Date
1	<p>Civica access controls should be reviewed to ensure that all users with access are current staff and require access for their role.</p> <p>A regular reconciliation of users with access to Civica should be carried out to ensure that no leavers retain accounts and that all users have a legitimate business need.</p>	Low	Fiona McArthur Accountant	01/04/2025
2	<p>Processes for raising journals and virements should be formally documented. This could include screenshots of key steps to enable materials to support with future inductions.</p>	Low	Ilyas Bham Accountancy Manager	01/04/2025
3	<p>Requirements for naming journals should be included within a Journal Procedure.</p> <p>Journals with no narrative should not be approved until a narrative has been provided.</p>	Low	Ilyas Bham Accountancy Manager	01/04/2025

## 02 Value for Money and Sector Comparison

Within each of our reports, we summarise any observations we have made about the effectiveness, efficiency and economy of your operations. This is to support our portfolio of public and social sector organisations with value for money considerations. We also summarise how you compare to similar organisations, which is intended to bring you the benefit of our insight.

### Value for Money



Maintaining robust controls around main accounting is essential for ensuring that the Council adheres to its budget without unauthorised expenditure or amendments.

There are twelve monthly reconciliations, including Payroll, Bank, Council Tax, Business Rates (NNDR) and Business Improvement District levies (BIDS) against the General Ledger and Debtors and Creditors Balances against the General Fund. This allows any discrepancies to be identified and addressed promptly. We confirmed for the period between January and March 2024 that these reconciliations were all promptly completed within the month with no discrepancies carried forward.

Only members of the Finance Team have access to edit the General Ledger. Only the Accountancy Manager and Senior Accountant have access to authorise manual journals. These system controls prevent journals from being posted without approval, ensuring a level of oversight is built into the Civica Finance System. We confirmed through walkthrough that these system controls prevented users from self-authorising journals.

A series of automated allocation tables allow for Civica to automatically attribute costs proportionately across cost codes, in line with agreed proportions, on a monthly basis.

A report of cash received is automatically run at the end of each day with a journal created for the General Ledger overnight.

### Sector Comparison



Only members of the Finance Team have access to edit the General Ledger through the access controls inbuilt into Civica. Only the Accountancy Manager and Senior Accountant have access to authorise manual journals. This is in line with controls at other Local Authorities.

Finance departments at Local Authorities usually have policies and procedures in place to provide clear guidance to staff around processing journals and virements. These documents set out the roles and responsibilities of key members of staff and contain a review cycle to ensure guidance remains up to date and relevant. This also helps to ensure consistency of approach to naming journals and processing virements. Hinckley and Bosworth Council does not have these documents in place (recommendation 1).

At Local Authorities it is important to have a joined-up approach to processing leavers and promptly removing their access from key systems. At other Authorities we note that a leavers process requires confirmation of removal from systems as part of post leavers checks. We identified three leavers from 2023/24 who still had an account on Civica twelve months later. A periodic reconciliation of accounts of users who have access to Civica would help to identify any leavers whose accounts had not been deactivated (recommendation 4).

### 03 Detailed Action Plan

We have identified areas where there is scope to improve the control environment. Our detailed findings are provided below. Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

1 Leavers retaining access to Civica	
Finding(s) and Risk	Recommendation(s)
<p>Password access controls are in place to limit staff access to the Finance System Civica, so that only appropriate users have read or edit access.</p> <p>We reviewed a list of 217 Civica Users who have live accounts as of August 2024. We reconciled this with a list of staff leavers from 2023/24. We identified three users (002098, 002176 and 001674) who had left over a year ago during 2023/24 whose accounts on Civica had not been deactivated:</p> <ul style="list-style-type: none"> <li>002098, left April 2023 maintains access level 'Atkins Staff' (working at a different Council premises than the Hinckley Hub)</li> <li>002176, left May 2023, maintains access level 'Creditors Enquire and Authorise'</li> <li>001674, left August 2023, maintains access level 'Creditors Enquiry only'</li> </ul> <p>We were advised by the Accountant that the responsibility for ensuring leavers return Council equipment is their Line Manager and the responsibility for removing access to system accounts such as Civica is the ICT Team. We did not receive evidence of any periodic reviews to confirm that all live accounts on Civica were for users who required access for their role.</p> <p><b>Risk and Impact:</b> Where accounts are not deactivated promptly following an employee leaving the organisation, former staff may be able to access or edit confidential information.</p> <p>Where reconciliations of user access to Civica are not regularly undertaken, staff who change job role may retain inappropriate access to Civica.</p>	<ol style="list-style-type: none"> <li>Civica access controls should be reviewed to ensure that all users with access are current staff and require access for their role.</li> <li>A regular reconciliation of users with access to Civica should be carried out to ensure that no leavers retain accounts and that all users have a legitimate business need.</li> </ol>
	Root Cause(s)
	<p>An overreliance on the removal of IT equipment from leavers to determine that they could no longer access systems.</p> <p>A lack of periodic reconciliation to confirm the business case for staff with Civica access.</p>

### Management Comments / Agreed Actions

Civica access controls will be reviewed to ensure that all users with access are current staff periodic reconciliations will be introduced  
A regular reconciliation of users with access to Civica will be carried out to ensure that no leavers retain accounts and that all users have a legitimate business need.

<b>Responsible Person</b>	Fiona McArthur, Accountant	<b>Action Due Date</b>	01/04/2025
		<b>Priority Level</b>	<b>Low</b>

## 2 Lack of procedural guidance relating to journals and virements.

### Finding(s) and Risk

We note that the Finance Team have been constant for several years.

Procedural guidance is necessary to ensure the roles and responsibilities of different staff in relation to main accounting are clearly understood. This helps ensure smooth continuation of service in the event of changes of personnel and provides a key resource for ensuring a consistent output from existing staff.

We were advised by the Accountancy Manager that there are no formal policies or procedures in place for key elements of main accounting such as processing journals and virements.

We were provided with an email from one of the Accountants to the other accountants in March 2024 with information around processing journals, including a summary of what should be included within different columns of the journal input, guidance on codes to allocate accruals and how to process unpaid invoices at year end which relate to 2024/25.

There is not an induction pack in place in case of a new joiner for the Team, and there is not an agreed training programme. The Accountancy Manager advised that training would be on-the-job for new starters, therefore we were unable to review any induction training.

**Risk and Impact:** Where procedural guidance is not in place, the Team may not be resilient in case of personnel change and institutional knowledge may be lost should key staff leave.

Inconsistent approaches to naming and processing journals and virements may arise if there is no standard guidance.

### Recommendation(s)

Processes for raising journals and virements should be formally documented. This could include screenshots of key steps to enable materials to support with future inductions.

### Root Cause(s)

The Finance Team have been constant for several years. As such there has not been the perceived need for ongoing training.



**Management Comments**

Processes for raising journals and virements will be formally documented and suitable induction records kept.

<b>Responsible Person</b>	Ilyas Bham, Accountancy Manager	<b>Action Due Date</b>	01/04/2025
		<b>Priority Level</b>	<b>Low</b>

### 3 Journals without narratives

#### Finding(s) and Risk

There is no formalised Journals policy or procedure in place (see recommendation 2). As such there is not specific guidance for the requirements of naming journals. Whilst an email was sent to Accountants in March 2024 containing some journals guidance, naming conventions were not included.

We conducted data analysis of the 97,892 journals included in the 2023/24 General Ledger, to identify whether journals included a narrative to ensure transparency of transactions.

There were 66 journals that were manually raised and authorised but had a blank narrative. The highest value was £88,967.54 and the total value was £359,364

- 15 relate to accruals (glacr)
- 19 relate to journals (gljnl)
- 32 relate to General Ledger miscoding corrections (gljnx)

We chose a sample of ten of these 66 to confirm that the Finance team was aware of the purpose of each journal. In all cases, evidence was provided on request to support the purpose of the journal. The journals related to a variety of purposes including a reversal of an accruals journal across year end, reversing the fee for a fixed term contract out of a suspense account and recoding an invoice to different elections codes. In each case a separate person raised the journal than authorised it.

**Risk and Impact:** Where there is no narrative for journals, there is a lack of transparency, and errors or inappropriate journals may be difficult to identify.

#### Recommendation(s)

1. Requirements for naming journals should be included within a Journal Procedure.
2. Journals with no narrative should not be approved until a narrative has been provided.

#### Root Cause(s)

A lack of specific guidance requiring journal narratives and circumstances

#### Management Comments / Agreed Actions

Naming requirements will be included within a Journal Procedure and only Journals with suitable narrative approved.

<b>Responsible Person</b>	Ilyas Bham, Accountancy Manager	<b>Action Due Date</b>	01/04/2025
		<b>Priority Level</b>	<b>Low</b>

# A1 Audit Information

## Agreed Audit Objective and Scope

The objectives of our audit were to ascertain whether Hinckley and Bosworth Borough Council has in place adequate controls in relation to Main Accounting. The audit considered the following risks relating to the area under review:

- **Policies and Procedures** - Staff are unaware of their duties due to a lack of, or outdated, policies and procedures. Staff do not receive adequate training on use of the general ledger.
- **Accounting Records** - Unauthorised amendments are made to the general ledger. Staff have unauthorised or inappropriate access to the Accounting System, leading to inappropriate changes being made. Inaccurate, incomplete, or untimely transfer of data from feeder systems results in financial balances differing on feeder systems and the general ledger.
- **Journals** - The journal policy is not appropriately implemented.
- **Manual Adjustments** - Unauthorised, or inaccurate virements are made.
- **Financial and Performance Management Reporting** - Inappropriate decisions are made by management and Cabinet due to inaccurate, or untimely management information.
- **Reconciliations** - Reconciliations are inaccurate or not authorised. Reconciliations are not performed on a regular basis, and/or accounts are incorrectly posted. Bank reconciliations are not performed or are performed by an inappropriate officer.

## Scope Limitations

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. Any testing performed was conducted on a sample basis. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

## Definitions of Assurance Levels and Recommendation Priority Levels

Definitions of Assurance Levels	
Substantial Assurance	The framework of governance, risk management and control is adequate and effective.
Moderate Assurance	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited Assurance	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory Assurance	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
High (Priority 1)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium (Priority 2)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low (Priority 3)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	Remedial action should be prioritised and undertaken within an agreed timescale.

## Statement of Responsibility

We take responsibility to Hinckley and Bosworth Borough Council 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.

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