

AUDIT COMMITTEE – 4TH SEPTEMBER 2018

Report of the Head of Strategic Support

Part A

ITEM 06 INTERNAL AUDIT PROGRESS REPORT

Purpose of Report

The report summarises the status of the 2017-18 and 2018-19 Audit Plans and also outlines the key findings from final audit reports and follow-up work completed since the previous progress report considered by the Audit Committee at the meeting held 5th June 2018.

Recommendation

The Committee notes the report.

Reason

To ensure the Committee is kept informed of progress against the approved Internal Audit Plan.

Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report.

Financial Implications

None

Risk Management

There are no specific risks associated with this decision.

Background Papers: None.

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Part B

1. Progress against the 2017/18 and 2018/19 Audit Plans.

1.1 Progress against the 2017/18 Audit Plan

General Audits – Five audits remain to be completed from the 2017/18 Audit Plan. These being three targeted testing financial systems audits i.e. Payroll, Creditors and Capital Accounting and two service audits i.e. Markets & Fairs and Asset Management.

IT Audits – The draft report produced by Central Midlands Audit Partnership following completion of the ICT Key Controls audit work was issued in July. The Change Management audit remains in progress.

1.2. Progress against the 2018/19 Audit Plan

Appendix A summarises progress against the 2018/19 Audit Plan.

There has been some slippage with the 2018/19 due to additional resources being required to complete 2017/18 audits than was anticipated at the time the 2018/19 plan was drafted and approved. In addition there has been a case of sickness absence within the Audit team since early July which has impacted on completion of carried over 2017/18 audits and progression with 2018/19 planned audits. The situation is being kept under review and options considered, and the next progress report will inform the Committee how the slippage is being addressed.

3. Final Audit Reports Issued

The following final audit reports have been issued since the last update report to the Committee. Further detail in respect of these audits is attached in Appendix B, including a background section, the executive summary, and the agreed action plan listing recommendations made and the management responses.

Audit	Field Work Completed	Draft Report Issued	Final Report Issued	Current Level of Assurance	Previous Audit Level of Assurance	Corporate Significance
Debtors 2017/18	May 2018	June 2018	June 2018	Substantial	Substantial	High
Gas Servicing Contract 2017/18	May -June 2018	June 2018	June 2018	Substantial	Substantial	High
Safeguarding 2017/18	March - May 2018	June 2018	July 2018	Moderate	Substantial	High
Income Collection 2017/18	April - May 2018	June 2018	July 2018	Substantial	Substantial	High
Data Protection and	Feb - April 2018	June 2018	July 2018	Substantial	Substantial	High

Audit	Field Work Completed	Draft Report Issued	Final Report Issued	Current Level of Assurance	Previous Audit Level of Assurance	Corporate Significance
Information Security 2017/1/						
Consultants and Temporary Staff 2017/18	Sept - March 2018	June 2018	July 2018	Moderate	Moderate	Medium
Staff Allowances and Expenses 2018/19	June -July 2018	July 2018	August 2018	Moderate	Moderate	Low

4. ICT Audit

There have been no final audit reports issued since the last update report to the Committee.

5. Follow Up of Recommendations

The table below summarizes the follow-up status of recommendations which were due to be implemented during the period April - June 2018. Four medium and one low priority recommendations have not been implemented by the agreed action dates. Further details are available at Appendix C. The six recommendations deemed to require no further action relate to the recommendations made following the Payment Card Industry Data Security Standards audit that have been incorporated into the plan of the project initiated to ensure full compliance with these Standards.

	Priority Level	Implemented	Not Implemented	No Further Action
April - June 2018	High	3	0	0
	Medium	16	4	3
	Low	11	1	3
Percentages		73%	12%	15%

6. Special Investigations

There have been no special investigations undertaken during the reporting period.

7. Performance Indicators for Internal Audit

The following summary outlines the results against the local performance indicators for Internal Audit for 2017/18.

Indicator	Target	Result	Notes
Percentage of clients that rated the performance of Internal Audit as satisfactory or higher.	90% (Annual)	100%	Based upon the number of Head of Service responses received (4/10) April 2018.
Percentage of the agreed 2018/19 Internal Audit plan delivered (as at 31.07.18).	30% (pro rata to 90% Annual Target)	17%	Percentage completed based upon actual time spent on 2018/19 planned audits.
Percentage of agreed recommendations arising from internal audit reviews implemented by the agreed date (as at 30.06.18)	80%	86%	April - June 2018 (30/35 recommendations - not including 7 requiring no further action).

Appendices

Appendix A – Summary of progress against the 2018/19 Audit Plan as at the 31st July 2018

Appendix B – Summary of Final Audit Reports Issued

Appendix C – Follow Ups: Recommendations Not Implemented By the Agreed Date as at 30th June 2018

PROGRESS AGAINST THE 2018/19 AUDIT PLAN

2018/19 Audit Plan	Plan Days	Spent Days (31.7.18)	Status as at 31 July 2018	Assurance Level	Corporate Significance
Key Financial Systems					
<i>Full Systems Audit</i>					
Accountancy & Budgetary Control	10.00	0.00	Scheduled for Q4		
Payroll	10.00	0.00	Scheduled for Q4		
Capital Accounting	8.00	0.00	Scheduled for Q4		
Non Domestic Rates	8.00	0.00	Scheduled for Q4		
<i>Targeted Testing:</i>					
Creditors	3.00	0.00	Scheduled for Q4		
Debtors	2.00	0.00	Scheduled for Q4		
Income Collection	2.00	0.00	Scheduled for Q4		
Housing Benefits	3.00	0.00	Scheduled for Q4		
Council Tax	3.00	0.00	Scheduled for Q4		
Housing Rents	3.00	0.00	Scheduled for Q4		
<i>Quarterly Testing:</i>					
Treasury Management	2.00	0.50	Q1 checks completed		
Bank Reconciliation	2.00	0.50	Q1 checks completed		
Sub Total – KFS Reviews					
	56.00	1.00			
Strategic & Service Risk Audits					
NFI/Counter Fraud	10.00	0.00			
Homelessness	12.00	0.00	Scheduled for Q3		
Decent Homes Contract	15.00	0.00	Scheduled for Q3		

2018/19 Audit Plan	Plan Days	Spent Days (31.7.18)	Status as at 31 July 2018	Assurance Level	Corporate Significance
Grants to Community Groups (Landlord Services)	8.00	4.25	File Review		
Licensing	10.00	0.00	Scheduled for Q3		
Car Parking fees	12.00	0.00	Scheduled for Q2		
Enforcement (Cross cutting)	20.00	0.00	Scheduled for Q3		
Revenues & Benefits Contract	12.00	9.00	In Progress		
Performance Management	10.00	7.00	In Progress		
Staff Allowances & Expenses	10.00	10.25	Completed	Moderate	Low
Garden Waste Scheme	10.00	6.00	In Progress		
Sport & Active Recreation	10.00	0.00	Scheduled for Q3		
CCTV	8.00	0.00	Scheduled for Q3		
Mayoralty	8.00	3.25	File Review		
Holiday pay/flexi/toil policies and application.	12.00	0.00	Scheduled for Q3		
ASB (cross cutting use of Sentinel etc)	7.00	0.25	Scoping/Planning		
Corporate Credit cards	10.00	0.00	Scheduled for Q2		
Sub Total – Strategic & Services Audits	184.00	40.00			
Other Work					
Recommendations - Follow Ups	20.00	5.00			
Ad Hoc Investigations/ Contingency	30.00	0.00			
Allowance to complete 2017/18 Audits	10.00	25.00			
Sub Total – Other work	60.00	30.00			
TOTAL – Audit Plan (not including externally resourced audits)	300.00	71.00			

SUMMARY OF FINAL AUDIT REPORTS ISSUED**Debtors 2017/18****1. Background**

The sundry debtors function is one of the identified key financial systems, which are audited on an annual basis. The debtors function within Charnwood Borough Council is located within Financial Services and provides a centralised service for the collection of sundry income due to the Council.

2. Executive Summary**2.1 Overview**

ASSURANCE RATING – SUBSTANTIAL	CORPORATE SIGNIFICANCE – HIGH
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Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based on the work undertaken during this review it has been verified that there are adequate procedures in place for the processing and monitoring of direct debits.

Corporate Significance

The corporate significance of this audit has been assessed as HIGH on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There are adequate procedures in place for the processing and monitoring of direct debit payments.
- Reconciliations between the debtors system and the general ledger are undertaken on a regular basis.

3. Action Plan

There are no recommendations for management consideration

Gas Servicing Contract 2017/18

1. Background

This audit was included in the 2017/18 audit plan with the intention that the scope would be in relation to the new gas servicing contract. However due to an issue with the commercial aspect of the contract and the operational set up the contract has yet to be signed. As landlords the Council have a legal responsibility to ensure gas safety in our accommodation and therefore the scope of the audit will concentrate on ensuring the Council has fulfilled its legal obligations.

The Gas Safety (Installation and Use) Regulations 1998 outline the duties of landlords to ensure gas appliances, fittings and chimney/flues provided for tenants are safe. As landlords we have three main responsibilities maintenance, gas safety checks and keeping maintenance and gas safety check records.

The undertaking of checks is carried out by a Commercial Gas Engineer, as part of a Gas Servicing Contract, with Sure Group and falls under the responsibility of Repairs and Investments within Landlord Services.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – SUBSTANTIAL ASSURANCE	CORPORATE SIGNIFICANCE – HIGH
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Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

It was confirmed that there are adequate procedures in place for the monitoring and recording of gas service checks. However areas for improvement were identified. Testing found that there have been delays in processing 'no access' cases,

resulting in the contract requirement of allowing two months for internal and legal processes to address ‘no access’ issues not being met.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)
- Major health and safety risk (serious injury or death)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There are adequate procedures in place for the monitoring and recording of gas service checks.
- Appropriate checks are made to ensure the contractor’s operatives, undertaking checks for Charnwood Borough Council, have valid Gas Safe Registration.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- Testing found that there have been delays in processing ‘no access’ cases, resulting in the contract requirement of allowing two months for internal and legal processes to address ‘no access’ issues not being met.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Testing found that there have been delays in	Breach of the contract terms and conditions.	1. Procedures in respect of overdue certificates and	L	To ensure that procedures in respect of overdue and	Interim Compliance Manager	August 2018

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
processing 'no access' cases, resulting in the contract requirement of allowing two months for internal and legal processes to address 'no access' issues not being met.		rejected certificates are tightened to ensure they are dealt with in a timely manner and meet the contract conditions.		rejected certificates are closely monitored and dealt with in a timely manner to meet contract conditions.		

Safeguarding 2017/18

1. Background

Charnwood Borough Council has both a moral and legal obligation to ensure duty of care for children, young people and vulnerable adults, to safeguard their well-being and protect them from abuse, when they are engaged with services organised and provided by the Council. While it is not the Council's role to establish whether or not abuse is taking place, it is our responsibility to report any concerns we have over the welfare of children, young people and vulnerable adults.

To enable us to do this we need council officers and members who have an awareness of their duty of care responsibilities and are equipped with knowledge of the policies and procedures in place to enable them to report potential safeguarding cases.

Safeguarding falls under the responsibility of Neighbourhood Services within the Neighbourhoods and Community Wellbeing Directorate.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – MODERATE ASSURANCE	CORPORATE SIGNIFICANCE – MEDIUM
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Assurance

Internal Audit can give moderate assurance to those charged with governance. Whilst there are no serious weaknesses in the internal control environment within the areas reviewed, there is a need to further enhance controls and to improve the arrangements for managing risks.

It was confirmed that there are adequate policies in place and that these are up to date and accessible to staff. However, areas for improvement were identified in respect of ensuring that staff training was maintained up to date, clarification of the level of training required by job roles and the processes for ensuring that current DBS checks are in place where required.

It is acknowledged that work has commenced on addressing these areas since the completion of the audit work.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)
- Major health and safety risk (serious injury or death)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- The safeguarding policies in place are adequate, clear, accessible and up to date.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- Based on the information available, testing found that 70 employees who have previously undergone training did not have current training in place.
- The last mapping exercise to establish posts requiring silver/gold level training was undertaken in 2014 and needs to be updated.
- Training records are not retained in one central location making it difficult to identify which training has been undertaken by individuals.
- Testing has identified some areas of weakness in the procedures in place for the monitoring of DBS checks.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Based on the	Officers may not	1. Monitoring	Medium	1.1 Bi - monthly	Head of	September

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
information available testing found that 70 employees who have previously undergone training did not have current training in place.	understand their roles and responsibilities.	procedures are put in place to ensure all those roles requiring safeguarding training have undertaken an element of training the last 3 years.		monitoring procedures to be put in place	Neighbourhood Services Children, Families & Partnerships Manager	2018
2. The last mapping exercise to establish posts requiring silver/gold level training was undertaken in 2014 and needs to be updated.	Officers may not understand their roles and responsibilities.	2. An exercise is undertaken to establish which posts require safeguarding training and to what level.	Low	2.1 Update the previous mapping exercise, circulate to Heads of Service and publish on the intranet	Head of Neighbourhood Services Children, Families & Partnerships Manager	December 2018
3. Training records are not retained in one central location making it difficult to identify which training has been undertaken by individuals.	Gaps in training may not be identified	3. Consideration is given to maintaining a central record of all safeguarding training completed by staff.	Low	3.1 Explore ways of capturing all the training information in one place	Head of Neighbourhood Services Children, Families & Partnerships Manager	December 2018

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
				3.2 Explore the option of training records being recorded on iTrent.	Improvement and Organisational Development Manager	October 2018
4. Testing has identified some areas of weakness in the procedures in place for the monitoring of DBS checks.	Unsafe recruitment/ongoing employment which could result in members of the community being put at risk.	3. A review is undertaken of the procedures in place for DBS checks to ensure all posts are captured; valid checks are in place and results recorded.	Low	Agreed as per recommendation	Improvement and Organisational Development Manager	November 2018

Income Collection 2017/18

1. Background

The cash receipting system is one of the identified key financial systems, which are audited on an annual basis. The cash receipting system is operated by the Customer Services Centre within Customer and Information Services which provides a centralised service for the collection and receipting of income received by the Council.

The Accountancy Control Section, within Financial Services, is responsible for reconciliations of the cash receipting system to the bank account and general ledger.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – SUBSTANTIAL ASSURANCE	CORPORATE SIGNIFICANCE – MEDIUM
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Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based upon the work undertaken during the review, there are satisfactory procedures in place for the cash receipting, recording and banking of all types of income and no significant errors/omissions were identified. However, it was identified that there were two officers, no longer employed by the council with access to Pay.net.

A further low priority recommendation has been made in respect of safe insurance. However, as this does not relate to the processes and controls for the collection, processing and banking of income, the level of assurance has been maintained as substantial

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There are adequate arrangements in place for the receipting, recording and banking of income.
- The procedures in place ensure that payments are posted to the appropriate accounts accurately and timely.
- Appropriate procedures are in place to ensure two references are obtained for employees handling cash, in accordance with the fidelity guarantee.
- A risk assessment of the Customer Services area has been completed.
- Reconciliations between the bank and the general ledgers, for all income methods, are undertaken on a regular basis, in a timely manner and are independently reviewed.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- There are four safes listed within the customer services however there is only one safe listed, as an approved safe, where income is insured overnight, on the Money Policy.
- There was a case where an officer had left employment but access to the Pay.net system had not been revoked as there are currently no procedures in place to capture leavers

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. There are four safes listed within the customer services however there is only one safe listed, as an approved safe, where income is insured overnight, on the Money Policy.	Income retained in safes overnight is not appropriately insured.	1. It is verified with the Insurers whether income stored in safes overnight, not listed on the approved list, are insured	L	An up to date safe schedule will be provided to the brokers and the issue regarding overnight insurance will be confirmed and appropriate action taken to ensure the risk of financial loss is minimised.	Insurance Officer	July 2018
2. There was a case where an officer had left employment but access to the Pay.net system had not been revoked as there are currently no procedures in place to capture leavers.	Unauthorised access may be gained to the system	2. Procedures are reviewed to ensure Pay.net user access is appropriately monitored and where necessary access revoked	L	The leaver's process on the Service Desk system will be amended to include notification to the paye.net administrators.	Service Desk Manager	July 2018

Data Protection and Information Security 2017/18

1. Background

The Data Protection Act 1998 (DPA) outlines eight rules governing the use of personal data, these are known as the Data Protection Principles. To ensure all employees and Members comply with these rules the Council has two policies in place. The External Data Protection Policy which sets out the basis on which data users will process any personal data we collect, or that is provided to us and the Internal Data Protection Policy which sets out the steps the council will take to ensure we fulfil our obligations under the Act. There is a data protection improvement plan in place to ensure employees and Members are fully aware of their obligations.

In May 2018 Europe's data protection rules will undergo their biggest changes in two decades. It will change how businesses and public sector organisations can handle the information of customers and allow customers to have easier access to the data companies hold about them. In preparation for the implementation of the General Data Protection Regulations (GDPR), a GDPR plan has been created.

The Council has a designated Senior Information Risk Owner (SIRO) and Deputy Senior Information Risk Owner (Deputy SIRO) in place who oversee the Council's data protection and information security arrangements and are responsible for ensuring compliance with legislative requirements. The management and monitoring of these arrangements falls under the responsibility of the Head of Customer Experience within the Corporate Services Directorate.

2.1 Overview

ASSURANCE RATING – SUBSTANTIAL ASSURANCE	CORPORATE SIGNIFICANCE – HIGH
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Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Testing undertaken in March/April 2018 identified that the requirements and implications of the new GDPR legislation had been identified and an action plan, which ran from August 2017 to April 2018 had been put in place to ensure that the council was ready for when the regulations came into force on the 25th May 2018.

As the Council continually strive to meet the requirements there will have been further progress made since the testing was undertaken.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)
- Direct link to identified strategic risks

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- External and internal data protection policies are in place, which meet legislative requirements and these are made available to all.
- A GDPR Action Plan is in place to ensure the Council take all the appropriate steps to GDPR readiness.
- There are adequate procedures in place to ensure appropriate data protection training is undertaken by Council employees and Members.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- Data Protection Policies do not stipulate who has overall responsibility for data protection and the policies, review periods, policy approval and do not make reference to associated policies, procedures and websites.
- Testing found that not all actions being taken to ensure GDPR readiness are being documented.

- Testing found that 84% of officers on the establishment had completed online training. 12% (87) officers still need to start or finish training.
- Testing found that 65% (34) of members had not attended training.
- Testing found that no casual employees have complete training.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Data Protection Policies do not stipulate who has overall responsibility for data protection and the policies, review periods, policy approval and do not make reference to associated policies, procedures and websites.	Breaches in compliance and possible financial penalties.	1. The data protection policies are reviewed to ensure the requirements of the General Data Protection Regulations are included and consideration is given to include officers responsible for data protection (in accordance with GDPR), policy version control and links to appropriate policies, documents and websites.	Low	Action agreed as per the recommendation	Director of Corporate Services/Data Protection and Information Security Officer	October 2018
2. Testing found that not all actions being taken to ensure GDPR readiness are being documented.	Without adequate records progress cannot be monitored or measured.	2. Procedures are put in place to ensure all actions being taken are documented.	Low	The current project plan documents all actions taken and outstanding – no further action required	No Further Action	N/A

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>3. Testing found that 84% of officers on the establishment had completed online training. 12% (87) officers still need to start or finish training.</p> <p>Testing found that 65% (34) of members had not attended training.</p> <p>Testing found that that no casual employees have complete training.</p>	<p>Officers and Members lack of awareness of their requirements and responsibilities which may lead to breaches in compliance and possible financial penalties.</p>	<p>3. A review is undertaken to ensure all those officers and members who still require training are identified and complete appropriate training.</p>	<p>Low</p>	<p>Annual training is due to start again in September, this will cover all staff across the authority with each manager being responsible for ensuring all staff have completed the relevant training</p>	<p>Data Protection and Information Security Officer/All Managers</p>	<p>November 2018</p>

Consultants and Temporary Staff 2017/18

1. Background

Consultants and temporary agency staff are an additional resource that can be used as a flexible and cost effective way of providing skills that are required for a short period of time. The need for specialist skills and capabilities to deliver specific projects can be met through the use of consultants and temporary agency staff can provide resources to cover vacancies and provide additional support to ensure service delivery requirements are met.

The purpose of this audit is to review whether consultants and temporary staff within the Council are being used in an appropriate and cost effective manner and that they are procured in accordance with the Council's policies and procedures.

Actual expenditure in relation to consultants and temporary staff for 2016/17 was £1,003,245.

2.1 Overview

ASSURANCE RATING – MODERATE ASSURANCE	CORPORATE SIGNIFICANCE – MEDIUM
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Assurance

Internal Audit can give moderate assurance to those charged with governance. Whilst there are no serious weaknesses in the internal control environment within the areas reviewed, there is a need to further enhance controls and to improve the arrangements for managing risks.

Although consultants and temporary agency staff are procured in accordance with the Council's policies and procedures there is a lack of monitoring in place to ensure the procurement of temporary workers is cost effective and justified. Testing found that temporary workers are being employed in posts that are not on the establishment or are employed into posts which are not vacant which could lead to budgets being overspent.

Corporate Significance

The area being audited has been rated as being of medium corporate significance, on the basis of:

- General risk of financial loss between £10,000 and £100,000
- Service failures would have moderate impact on customers
- Risk of moderate reputational damage (local press)
- Direct link to identified corporate/operational risks

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- The procurement of consultants and temporary agency workers is in accordance with the Council's policies.
- There are adequate arrangements in place to ensure compliance with IR35 UK tax legislation.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- Testing throughout the audit has shown that no monitoring is being undertaken and there is no challenge on management to ensure the use of temporary staff is justified and beneficial, both organisational and financial.
- In 9 of the 33 (27%) temporary employment cases tested, officers were not in vacant posts on the establishment or the posts were not recorded on the establishment.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Testing throughout the audit has shown that no monitoring is being undertaken and there is no challenge on	Overspending on budgets. Underlining recruitment problems are not addressed.	1. Procedures are put in place to ensure the use of consultants and temporary officers are appropriately managed, monitored and reviewed to ensure employment can be	H	The management of consultants and temporary officers is managed within services. The corporate approach for sourcing temporary agency staff is through	Head of Strategic Support	September 2018

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
management to ensure the use of temporary staff is justified and beneficial, both organisational and financial.	Demotivation of permanent staff.	sufficiently justified and any problems addressed.		a neutral vendor called Matrix SCM. Data is available from Matrix SCM regarding the spend on temporary agency staff, at present this is not monitored by SMT/CMT. A message will be reiterated to CMT.		
2. In 9 of the 33 (27%) temporary employment cases tested, officers were not in vacant posts on the establishment or the posts were not recorded on the establishment.	Overspending on budgets	2. Procedures are put in place to ensure officers are employed in vacant posts from the establishment, where there are vacant budgeted hours to ensure there is no overspending on budgets and where new posts are created these are added to the establishment so that appropriate budgets are put in place.	M	As referred to above the management of temporary agency staff is the responsibility of service managers. Message to be reiterated to CMT regarding the availability of budgets.	Head of Strategic Support	September 2018

Staff Allowances and Expenses 2018/19

1. Background

Employees who attend external meetings and undertake approved off site duties are eligible to receive either reimbursement of costs incurred or claim an allowance where appropriate. The Council has a travel and subsistence and other allowances guide in place which provides managers and employees with guidance in relation to business travel, mileage claims, meal and other allowances. The document applies to all employees of the Council employed under the Joint Negotiating Committee for Local Government Services (JNC), National Joint Council for Local Government Services (NJC) and Joint Negotiating Committee for Local Authority Craft and Associated Employees (Craft).

Claims for reimbursement of expenses or allowances are submitted through the iTrent Self Service facility and are paid through Payroll; therefore claims must be submitted by the 15th of each month to ensure they can be processed in time for the monthly pay runs.

In 2017/18 costs to the Council, in respect of travel and subsistence claims, totalled £376,660.

2.1 Overview

ASSURANCE RATING – MODERATE ASSURANCE	CORPORATE SIGNIFICANCE – LOW
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Assurance

Internal Audit can give moderate assurance to those charged with governance. Whilst there are no serious weaknesses in the internal control environment within the areas reviewed, there is a need to further enhance controls and to improve the arrangements for managing risks.

Based on the testing undertaken during this review it has been verified that there are adequate procedures in place for the processing and authorising of allowances and expenses. However, there were some instances where those procedures were not being followed. For example supporting documentation in respect of mileage claims was not always appropriately completed or retained and allowances are not always paid as set out in the Guidance.

Corporate Significance

The area reviewed has been rated as being of low corporate significance, on the basis of:

- General risk of financial loss less than £10,000
- Service failures would have limited impact on customers

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Payments are only made in respect of expenses incurred on official Council business.
- Claims have been made with 3 months of the expenditure occurring.
- Parameters are set within the HR and Payroll Solution (iTrent) to prevent unauthorised approval of claims.
- Payments were made in a timely manner by Payroll.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- Testing identified that in 5 out of 20 cases fuel receipts were not always presented or retained when claiming mileage.
- Testing identified 4 first aiders who are not currently receiving the first aider allowance.
- Testing has shown that the Travel, Subsistence's and Other Allowances guide is not clear and as there is no record to confirm when it was last reviewed there is no assurance that the rates are appropriate.
- There is no centralised record which confirms the posts that attract essential user's allowance.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
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Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Testing identified that in 5 out of 20 cases fuel receipts were not always presented or retained when claiming mileage.	Breach of HMRC Legislation and Council Policy.	1. Officers attach supporting documentation to claims on iTrent to ensure consistency across the council and reduce the risk of receipts not being submitted and retained.	M	1.1 Agreed. System already has capability to attached supporting document. 1.2 The new process is communicated to all officers.	Senior Payroll Officer/Systems Analyst Improvement and Organisational Development Manager	October 2018 October 2018
2. Testing identified 4 first aiders who are not currently receiving the first aider allowance and one emergency volunteer who was being paid at the wrong rate.	Breach of Council Policy.	2. The errors in respect of none payment to four first aiders and the incorrect payment of the emergency volunteers allowance are investigated and rectified.	M	2.1 Payment in respect of the emergency volunteers allowance has been rectified. 2.2 Any errors in respect of first aider payments to be investigated and appropriate measures will be taken to rectify them where necessary. The Health and Safety Officer is currently reviewing the level of first aid across the organisation to ensure it is appropriate.	Senior Payroll Officer Improvement and Organisational Development Officer/Learning and Organisational Development Officer	No Further Action October 2018
3. Testing has shown that the Travel, Subsistence's	Processes within the guide are out of date in relation to	3. The Travel, Subsistence's and Other Allowances Guide is reviewed to	M	3. Agree to review the Travel, Subsistence and Other Allowances Guide to ensure it is up	Improvement and Organisational Development Manager	November 2018

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
and Other Allowances guide is not clear and as there is no record to confirm when the it was last reviewed there is no assurance that rates are appropriate.	current practice. Rates in the policy to not reflect current costs.	ensure guidance is clear, rates are appropriate and version control is recorded on the document.		to date. To review the rates to ensure that they are based on HMRC advice.		
4. There is no centralised record which confirms the posts that attract essential user's allowance.	Allowances maybe paid in error.	4. A review is undertaken to identify those posts where the duties are of such a nature that it is essential for them to have a vehicle at their disposal, ensuring that any exceptions to the posts identified have appropriate approval.	L	4. Consideration will be given to placing a flag on iTrent identifying if the post qualifies for essential car user. Ensure that the JD/PS reflect the fact that the post is essential car user	Improvement and Organisational Development Manager/Systems Analyst	December 2018

Follow Ups: Recommendations Not Implemented By the Agreed Date as at 30TH June 2018

Audit	Observation	Recommendation	Priority	Agreed Action	Agreed Date	Responsible Officer	Comments
Responsive Repairs 2016-17	7. The lack of reporting from Service Connect and the fact that the management information dashboards were still to be built, training provided and user guidance developed made it difficult to compare the performance and productivity of operatives and easily identify problem areas.	7.1 Ensure that management information dashboards are built, tested and fully operational as soon as possible.	Medium	7.1 Action agreed we will work closely with I.T. to implement the action point.	Dec 17 Revised to Mar 18, Jun 18, July 18, Oct 2018.	Repairs and Investment Manager	<p>Jan 2018 – Partially implemented. Some management information dashboards are now in place and these do provide information for performance monitoring. There are some issues still to resolve and these form part of the project planning process for phase 2 of the Service Connect project that will be completed by April 2018.</p> <p>Apr 2018 - Update: Response from Head of Landlord Services 11/4/2018 - The full implementation of actions 7 and 8 has been delayed until June 2018. The Service Connect system is being developed in partnership with the Council's systems provider and contractor Cloud Dialogs. Broadly the project can be split in to three development areas as follows: - Capital programme management</p>

							<p>- Development of responsive repairs management dashboards, including update of SOR codes, and user training</p> <p>- Void management The Council has committed two officers to work with Cloud Dialogs to ensure that the Service Connect system is modelled to meet the Council's requirements. Given the finite resources available to both the contractor and the Council, it has been necessary to prioritise delivery of the strands. The capital programme management module has been prioritised. This is to ensure that there is an appropriate mechanism in place to effectively manage the new capital (decent homes) contract which commenced on 1st April 2018.</p> <p>July 18 – Update. Response from Head of Landlord Services. Progress has been delayed due to the continued commitment of staffing resources to the implementation of the</p>
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							Service Connect module for monitoring the new capital contract. The system has gone live, and works in tenants homes have commenced in June. A number of developments of the system have been required in order to ensure that it functions correctly. I still consider that this work is the priority given the significant financial risk that is attached to the new capital contract. That said, we have a short term programme in order to progress the audit recommendations that is intended to be completed by 1 st October 2018.
		7.2 Provide user training and develop user guidance to enable effective use of the dashboard functionality.	Medium	7.2 Agreed, training will be given when the system is live	Jan 18 Revised to Mar 18, Jun 18, July 18, Oct 18.	Principal Officer (Repairs and Maintenance)	Feb 2018 – Not implemented. Linked to Rec 7.2 above. Apr 2018 – Explanation as per Rec 7.1 above. July 18 - Explanation as per Rec 7.1 above.
	8. Although operatives' time and performance is monitored on a day to day operational basis, limited performance	8.1 Use management information from Service Connect for operatives' performance monitoring including	Medium	8.1 We will use management information from Service Connect for operatives' performance	Dec 17 Revised to Mar 18, Jun 18, July 18, Oct 18	Principal Officer (Repairs and Maintenance)	Jan 2018 – Partially implemented. Some management information dashboards are now in place and these

	information from Service Connect is being used in order to inform discussions at individuals' performance review meetings and to identify any problem areas or development needs.	time keeping and productivity, undertake analysis and comparisons to identify any problem areas or development needs and take action to address these.		monitoring including time keeping and productivity, undertake analysis and comparisons to identify any problem areas or development needs and take action to address these.			do provide information for performance monitoring. They will be adapted to ensure they are better fit for purpose by April 2018. Not all of the data provided from Service Connect is accurate i.e. no access data is incorrect, first time fix / follow on / completions are being recorded incorrectly. There are some issues still to resolve and these form part of the project that will be completed by April 2018. Apr 2018 – Explanation as per Rec 7.1 above. July 18 - Explanation as per Rec 7.1 above.
		8.2 Maintain evidence of the monitoring carried out and the actions taken to address problem areas.	Medium	8.2 We will maintain evidence of the monitoring carried out and the actions taken to address problem areas.	Dec 17 Revised to Mar 18, Jun 18, July 18, Oct 18.	Principal Officer (Repairs and Maintenance)	Jan 2018 – Partially implemented. Explanation as for Rec. 8.1 above. Apr 2018 – Explanation as per Rec 7.1 above. July 18 - Explanation as per Rec 7.1 above.
ICT Key Controls 2016/17	8. Controls need to be tightened in respect of the guest Wi-Fi e.g. at present the connectivity is not time	ICS should ensure that controls are strengthened around access to the guest	Low	8. Agreed as recommendation.	Apr 18 Revised to Dec 18	ICT Service Delivery Manager	Apr 2018 Not implemented. ICT Service Delivery Managers Response: 'We are currently in the

	limiting and the generic password has not been changed for over a year.	Wi-Fi.					process of changing the network infrastructure. Once this has been completed the changes will then be applied to the GUEST network- revised timescales = December 2018'
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