

Report to	-	Audit and Standards Committee
Date	-	25 June 2018
Report of the	-	Executive Director
Subject	-	Internal Audit Report to 31 March 2018

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**Recommendation:** It be **RESOLVED** that:

- 1) the Internal Audit report to 31 March 2018 be noted;
  - 2) the Audit Manager's opinion on the control environment (paragraph 33) be approved.
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**Audit Manager: Gary Angell**

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### **Introduction**

1. The Council is required to ensure that it has reliable and effective internal control systems in place. The adequacy of these systems is tested by both Internal and External Audit.
2. To be effective, Internal Audit must be (and be seen to be) independent from the activities it evaluates. Rother's Internal Audit Service achieves this by operating as an independent unit within the Corporate Core. It has unrestricted access to Senior Management; reports in its own name; and has no managerial responsibility for any of the systems it reviews. This enables Internal Audit to provide independent and objective assurance when reporting on the Council's activities.
3. In the year up to 31 March 2018, Internal Audit has operated in accordance with the Public Sector Internal Audit Standards (hereafter referred to as 'the Standards'). It is a requirement of the Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues not only in relation to audit but risk management and corporate governance.
4. In line with the Standards, the Audit Manager is expected to present an annual report on the performance of the Internal Audit Service and to provide an overall opinion on the Council's control environment.
5. The annual report must incorporate:
  - the opinion;
  - a summary of the work that supports the opinion; and
  - a statement on conformance with the Standards and the results of the Quality Assurance and Improvement Programme.
6. In previous years, the contents of the annual report were used to inform the Annual Governance Statement (AGS) but this year's AGS has had to be based on a draft assessment made at the last meeting owing to a new, shorter timescale for the completion of the 2017/18 statement of accounts.

Amongst other things, this report therefore provides an update on the opinion expressed at the March 2018 meeting.

### **Summary of Activity during 2017/18**

7. The majority of the work planned for 2017/18 was completed. The only planned audit not to be completed was the ICT Network Security audit which has been delayed due to a variety of reasons (e.g. staffing issues and other business priorities), all of which were beyond the auditor's control. This audit will now be completed in 2018/19.
8. Seven audit reports were issued in the final quarter of 2017/18. All of these gave good or substantial assurance on the governance arrangements. The executive summaries for each of these audits, which contain an overview of the main findings of each report, is given in Appendix A.
9. Appendix B shows a summary of all audit reports completed in 2017/18, the level of compliance and assurance rating for each review, and the overall performance of the Internal Audit team against the plan. Members have already received details of all audit reports issued in the first three quarters of 2017/18 at previous meetings. An update on the action taken on all recommendations made in 2017/18 is shown elsewhere in this report.

### **Implementation of Audit Recommendations**

10. Each quarter, Internal Audit updates Members on the progress made on implementing the audit recommendations reported at previous meetings. Appendix C provides a summary of the current position. This shows that progress continues to be made in both the current and previous years, and all of the oldest (pre-April 2015) recommendations have now either been implemented or closed. However, four of the older recommendations still remain and progress on these is being kept under review by the Audit Manager.

### **Update on Homelessness Prevention Grants and Loans Recommendations**

11. Members will recall that the Homelessness Prevention Grants and Loans report issued in November 2017 only received a minimal assurance rating owing to the major control weaknesses found and the discovery of a £12,250 fraud. When this was reported at the last meeting Members were understandably concerned and they requested a progress update on the implementation of the audit recommendations. The Audit Manager has therefore been in contact with the Housing Needs Manager to obtain a position update.
12. A total of eight recommendations were made at the audit (two high risk and six medium risk). The two high risk recommendations had already largely been addressed at the time of the last meeting although it has subsequently become apparent that some of the new controls may not have been consistently applied due to some staff misunderstanding what they are trying to achieve. Internal Audit has therefore met with the Housing Team to explain the purpose of all the recommendations made at the audit and how the new controls should be applied from now on. We have also issued written guidance to assist the Housing Team moving forward.
13. The Audit Manager has received written confirmation from the Housing Needs Manager that most of the remaining recommendations have also now been

implemented, at least in part. Assuming that these recommendations have been applied correctly, internal control should now be greatly improved. However, it will not be possible to give proper assurance on this matter until this area is next reviewed. A follow-up audit is due to take place in July 2018 and this should identify any residual issues.

### **Counter Fraud Work**

14. In addition to compliance work, the Audit Manager also coordinates the annual National Fraud Initiative (NFI) data matching exercises and the whole Internal Audit team assist in the process of reviewing the matches. Work on the December 2016 Single Person Discount matches has been slow due to limited resources within the Revenues & Benefits team to follow up referrals but all customers worthy of further investigation were written to in October 2017 and this work has so far yielded £50,795 in savings (38 cases).
15. The Internal Audit team is currently waiting for the completion of this exercise before following up the December 2017 matches as there may be some overlap between the two.
16. Internal Audit also allocates time each year to undertake other counter fraud duties. In 2017/18 this work primarily focused on business rates and a number of properties were identified which were either wrongly classified as empty or had not previously been rated by the Valuation Office. These cases were followed up with the help of colleagues in the Revenues & Benefits team and an additional £29,450 of revenue income is now being collected as a result.

### **Other Financial Savings**

17. In addition to providing management with assurance on the adequacy of its control environment, routine audit work can also sometimes highlight financial errors which can result in savings (or increased income) once corrected. In 2017/18, a total of £64,651 in confirmed savings/extra income was identified as a by-product of this work. The type of errors found include the miscalculation of monies paid to a contractor, uncollected CIL income and businesses incorrectly claiming small business rate relief.

### **Quality Assurance and Improvement Programme**

18. The Audit Manager is required to develop and maintain a Quality Assurance and Improvement Programme in order to evaluate the Internal Audit team's conformance with the Standards, to assess the efficiency and effectiveness of all Internal Audit activity and to identify opportunities for improvement.
19. The proficiency, effectiveness and quality of the Internal Audit team is monitored and improved through:
  - annual self-assessments (Review of Internal Audit)
  - 5-yearly external (peer review) assessments
  - supervision and the review of all Internal Audit output
  - obtaining client feedback
20. The Audit Manager's latest self-assessment of his team's compliance with the Standards (Review of Internal Audit 2017/18) was approved by Members on 26 March 2018 (Minute AS17/46 refers). The review did not identify any significant issues and concluded that there is a high level of effectiveness overall.

21. The team's first external peer review was completed in April 2017 and the assessors' findings were reported to this Committee on 26 June 2017 (Minute AS17/14 refers). No significant issues were found and the report concluded that the Rother Internal Audit Service "generally conforms with the Public Sector Internal Audit Standards and general good practice for the profession". The report did, however, suggest a number of minor improvements, all but one of which has since been addressed.
22. Quality assurance questionnaires are used to capture client feedback. Two different questionnaires are currently used: one to obtain immediate feedback from line management at exit meetings (once the fieldwork is complete and draft audit report has been issued and discussed); and the other to get the Service Manager's overall opinion on the quality of all audit reports issued to them in the previous quarter. Questionnaire recipients are invited to rate the service provided as either 'good', 'fair' or 'poor' and are also encouraged to comment where improvement is required.
23. A summary of the responses received in 2017/18 is shown in the table below.

Questionnaire Type	Responses to Individual Questions					
	Good		Fair		Poor	
Exit Meeting (Line Manager)	144	98%	2	1.4%	1	0.6%
Service Manager Meeting	66	92%	6	8.3%	0	0%
<b>Totals</b>	<b>210</b>	<b>95.9</b>	<b>8</b>	<b>3.7%</b>	<b>1</b>	<b>0.4%</b>

24. Overall, it can be seen that the vast majority of the feedback has been very positive indicating a high level of satisfaction with the quality of the Internal Audit Service.

## Performance Measures

25. The Audit Manager closely monitors the performance of the Internal Audit team throughout the year to ensure that agreed targets are achieved. The table below shows the performance indicators and targets for 2017/18 together with the actual results for the year.

Performance Indicator	Target	Actual
Audit Plan – Percentage of governance audits completed.	100%	100%
Audit Plan – Percentage of overall audit plan completed.	90%	96%
Audit Assignments – Final reports issued within 15 days of second draft report.	90%	87.5%
Audit Recommendations – Percentage of "high" risk recommendations accepted by management.	100%	100%
Satisfaction/Feedback – Overall percentage of customers rating the Internal Audit Service as "Good" or "Fair".	90%	99.5%

26. Most of the targets for 2017/18 have either been met or exceeded. The one target which was missed (i.e. the timescale for issuing final reports) is not cause for concern since these were due to delays on three audits which were beyond the auditor's control.

## Conformance with the Public Sector Internal Audit Standards

27. Both the annual self-assessment exercise performed by the Audit Manager and the results of the 2017 external peer review show that Rother's Internal Audit Service generally conforms with the Public Sector Internal Audit Standards.

## Overall Assessment of the Council's Internal Control Systems

28. A draft assessment (as at 30 January 2018) was reported at the last meeting. The Audit Manager has now reviewed the position again at the end of the financial year and he stands by his initial assessment of the issues and risks facing the Council with nothing further to add.

## Opinion on the Control Environment

29. All audit reports are given an assurance rating based on the following criteria.

Rating	Description
Good	Strong controls are in place and are complied with.
Substantial	Controls are in place but improvements would be beneficial.
Limited	Improvements in controls or in the application of controls are required.
Minimal	Urgent improvements in controls or in the application of controls are required.

30. Limited/minimal assurance ratings are triggered by the presence of either high risk recommendations or five or more medium risk recommendations – which refer to the likelihood and impact of a negative outcome occurring if the expected controls are not in place.
31. In forming an overall opinion, Internal Audit findings need to be set in context and viewed corporately. The summary of completed audits provided at the last meeting has now been updated to incorporate the whole of 2017/18 and this is included in Appendix B. This shows that just one audit report (4.2%) was given a limited or minimal assurance rating and only one of the 104 control objectives examined during the year was not “met” at least in part.
32. The quarterly Internal Audit activity reports submitted to this Committee have also shown that the vast majority of the expected controls are in place although it has been necessary to make a number of recommendations during the year where areas were identified for improvement.
33. Having now taken into account the results of all the audit reports completed in 2017/18 it is possible to confirm that the draft opinion expressed at the last meeting remains unaltered. The Audit Manager's overall opinion on the Council's framework of governance, risk management and control in 2017/18 is therefore that it is adequate and effective. This opinion is without qualification.

Malcolm Johnston  
Executive Director

## Risk Assessment Statement

A strong, independent and well supported Internal Audit function ensures that the Council does not suffer from poor internal control systems.

**PAYROLL AUDIT****ROTHER DISTRICT COUNCIL**

Assistant Director Resources: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Kirsty Goldsmith

Overall Level of Assurance: **GOOD****Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Payroll Procedures</b> – The payroll procedures operate in accordance with Financial Procedure Rules.	<b>M</b>
<b>Authority for Payment</b> – Pay and related costs are only incurred in respect of staff employed in authorised posts. All payments to new employees are calculated correctly and employees leaving the Council are promptly removed from the live payroll and their final salary payment correctly calculated.	<b>M</b>
<b>Pay Awards and Other Salary Increases</b> – Basic pay is correctly calculated in accordance with local agreements and all subsequent grading changes/ increments are formally costed and approved.	<b>M</b>
<b>Other Amendments to Pay</b> – All other variations to pay must be authorised, complete, accurate and not previously processed.	<b>M</b>
<b>Deductions</b> – Statutory deductions are correctly applied, accounted for and paid over to relevant body in accordance with legislation and government/ superannuation scheme requirements.	<b>M</b>
<b>Payment</b> – All salaries payments are prepared and issued appropriately.	<b>M</b>
<b>System Reconciliation and Security of Data</b> – The monthly salary bill is agreed and independently reconciled to the main accounting system. All computer records are protected against unauthorised access.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

It was noted however that management responsibility for the Payroll function has recently passed to the Human Resources Officer, as she is currently working closely with the Finance Officer (Payroll) on the Enterprise Resource Planning (ERP) project. Whilst this makes sense in the short term from an operational perspective, this arrangement is not ideal from a control point of view as it no longer provides for the strict segregation of duties normally expected between the Payroll and Human Resources functions. This situation will therefore be monitored by Internal Audit to ensure that proper segregation of duties is re-established once the ERP project is complete.

**Executive Summary**

Overall, the control objectives are considered to have been met and it was only necessary to make one low risk recommendation to management to correct a minor error.

Internal Audit Service  
January 2018

**BUSINESS RATES AUDIT****ROTHER DISTRICT COUNCIL**

Assistant Director Resources: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Chris Watchman,  
Rebecca Algar and Tony Lockey

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Valuation and Liability</b> – All properties liable for business rates are identified and assessed and all reliefs and exemptions correctly applied.	<b>P</b>
<b>Billing</b> – Business rates liability is accurately assessed and correct bills are issued to the occupiers of all rateable hereditaments.	<b>P</b>
<b>Collection and Refunds</b> – There is a sound system for the collection of income and the refund of overpayments.	<b>P</b>
<b>Recovery and Enforcement</b> – All arrears are promptly identified and effectively pursued in accordance with statutory requirements/laid down procedures. All write-offs are valid and authorised.	<b>M</b>
<b>System Reconciliation</b> – Amounts are properly recorded and reconciled to the main accounting system.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements. However, the audit highlights the need for improved control in several areas notably:

- **Empty Property Inspections** – All empty properties in receipt of an exemption should be subject to an inspection at least once every six months to check for occupancy. However, it was found that some had not been visited for 18 months or more meaning that there could be uncollected income.



- **Small Business Rate Relief (SBRR)** – The current monitoring arrangements for SBRR cases are not sufficient to ensure that relief is removed for those cases where the Council is aware that eligibility no longer applies.
- **Reconciliation of Opening Debit** – No evidence was found that a large unreconciled balance (relating to the Public House Relief Scheme) was queried prior to the production of the 2017/18 demands. The figure in question was subsequently checked at the audit and found to be correct, but a number of ratepayers could have been billed incorrectly had this not been the case. In future, all figures should be checked before the reconciliation sheet is signed off as agreed.
- **High Value Refunds** – A number of high value refunds were made following an appeal decision but some were incorrectly calculated resulting in a total overpayment of £72,824. The main reason for this error appears to be the incorrect application of transitional relief. Fortunately, the Council has since recovered the full amount from the ratepayers concerned but this incident highlights the need for better checking of high value refunds involving transitional relief before payment is made.

### Executive Summary

Overall, the control objectives are considered to have only been partially met due to the issues found. We have made five medium and one low risk recommendations to management all of which are aimed at enhancing the governance arrangements.

Internal Audit Service  
January 2018

**BENEFITS AUDIT****ROTHER DISTRICT COUNCIL**

Assistant Director Resources: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Chris Watchman and Tony Lockey

Overall Level of Assurance: **GOOD**

**Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>New Applications and Changes of Circumstances</b> – All applications are promptly and properly processed.	<b>P</b>
<b>Benefit Assessment</b> – Benefits are properly due and are calculated correctly.	<b>M</b>
<b>Payment</b> – Rent allowances are promptly paid to those for whom they are intended.	<b>M</b>
<b>Overpayments</b> – Overpayment of benefit, including those arising from fraud and abuse, are either prevented or identified and promptly followed up. Refunds and write-offs are properly authorised.	<b>M</b>
<b>Reconciliation</b> – Benefit payments are correctly applied and regularly reconciled to the main accounting system.	<b>M</b>
<b>System Administration</b> – The computer system is kept up-to-date, access to benefit records, system parameters and creditor masterfile records are suitably restricted, and adequate segregation of duties is maintained.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

It is noted that processing times are currently higher than usual as a result of staff resources being diverted away from Benefits work to assist with the implementation of the new Document Management System (Enterprise). However, management are

already aware of this issue and performance is expect to improve in the near future once the Enterprise system is fully operational.

Two minor areas for improvement are also highlighted in the report.

**Executive Summary**

Overall, the control objectives are considered to have largely been met and it was only necessary to make two low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
January 2018

**CASH AND BANKING AUDIT****ROTHER DISTRICT COUNCIL**

Assistant Director Resources: Robin Vennard

Overall Level of Assurance: **GOOD****Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Collection Procedures</b> – Secure arrangements exist for the collection and recording of cash.	<b>M</b>
<b>Receipt of Income</b> – All collections and direct to bank credits are promptly, completely and accurately brought to account.	<b>M</b>
<b>Banking of Income</b> – All collections are promptly banked.	<b>M</b>
<b>Reconciliation of Income</b> – All collections are promptly and accurately posted to the customers' accounts.	<b>M</b>
<b>Bank Reconciliation</b> – Arrangements are in place for the routine monthly reconciliation of the bank account to the accounting records.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that good assurance can be given on the governance arrangements as no significant issues were found.

**Executive Summary**

Overall, the control objectives are considered to have been met and it was not necessary to make any formal recommendations to management as a result of this audit.

Internal Audit Service  
February 2018

**COUNCIL TAX AUDIT****ROTHER DISTRICT COUNCIL**

Assistant Director Resources: Robin Vennard

Officer(s) Responsible for Implementing Recommendations: Tony Lockey, Rebecca Algar and Leah Ridgway

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Valuation and Liability</b> – All taxable properties and liable persons are identified, and exemptions, discounts and disregards are correctly applied.	<b>P</b>
<b>Billing</b> – The Council complies with all statutory requirements for tax setting and amounts due in respect of each taxable property have been correctly calculated and payment promptly demanded.	<b>M</b>
<b>Collection and Refunds</b> – There is a sound system for the collection of income and the refund of overpayments.	<b>P</b>
<b>Recovery and Enforcement</b> – All arrears are promptly identified, and effectively pursued in accordance with statutory requirements/laid down procedures. All write-offs are valid and authorised.	<b>M</b>
<b>System Reconciliation</b> – Amounts are properly recorded and reconciled to the main accounting system.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The main issues found relate to:

- **Discounts awarded for major works on unoccupied properties** – Further evidence of eligibility should be sought and/or inspections made before granting a 50% discount.

- **Refunds** – Supervisory checks should be made on all refunds generated by staff with access to the Cash Receipting system.

### **Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made two medium and two low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
March 2018

## ROTHER DISTRICT COUNCIL

**ENVIRONMENTAL SERVICES - HEALTH & SAFETY AUDIT**

Head of Service: Richard Parker-Harding

Officer(s) Responsible for Implementing Recommendations: Una Kane

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Limitations on Audit Coverage**

Although the Environmental Services and Licensing team operates as a shared service with Wealden District Council, this audit solely focused on the health and safety controls in place at Rother District Council.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Policy and Service Plan</b> – The Council has a Health and Safety Policy and Service Plan which identifies the key health and safety risks in the district and has developed inspection regimes and/or liaison roles to ensure legislation is complied with.	<b>M</b>
<b>Monitoring and Inspections</b> – The Council regularly monitors all key health and safety risks to ensure businesses and other organisations are complying with the law.	<b>P</b>
<b>Enforcement</b> – Appropriate enforcement action is taken against those individuals or businesses that have breached Health and Safety regulations.	<b>M</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The main issues found relate to:

**Bonfire Safety Debriefs** – The need to carry out a Safety Advisory Group debrief after all bonfire night events and to record the results.

**Record Keeping** – The need to record all relevant information on the M3 system following licensing compliance visits and other inspections to ensure that the information held is up-to-date and complete.

**Executive Summary**

Overall, the control objectives are considered to have largely been met and it was only necessary to make two medium and one low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service  
March 2018



**ICT GOVERNANCE AUDIT****ROTHER DISTRICT COUNCIL**

Executive Director: Malcolm Johnston (Service Manager Post currently vacant)

Officer(s) Responsible for Implementing Recommendations: Graham McCallum

Overall Level of Assurance: **SUBSTANTIAL**

**Purpose & Objectives**

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

**Control Objectives**

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

<b>Access Control</b> – ICT access security arrangements are adequate.	<b>M</b>
<b>Security of Data</b> – Data is held securely and can be recovered in the event of a disaster.	<b>P</b>
<b>Change Control</b> – Software updates and change controls are properly managed.	<b>P</b>

**Level of Assurance**

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The main issues found relate to:

- **ICT Continuity Plan Testing** – The Council has a contract with an external provider to supply a mobile computer facility at short notice in the event of a disaster. However, the Council's ability to recover from a major disaster using these facilities has not been tested for a number of years. An off-site disaster recovery exercise therefore needs to be carried out to provide assurance that all essential services can be recovered.
- **Server Patching Arrangements** – Security patches are being applied to most Council servers on a regular basis but one server has accumulated a long list of vulnerabilities because patching can only take place when it is coordinated with the software vendor. The Infrastructure Team has now scheduled an update to bring the security fixes up-to-date but steps will need to be taken to ensure that this particular server is patched more frequently in future.

**Executive Summary**

Overall, the control objectives are considered to have largely been met but we have made two medium and one low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service

Completed March 2018 (Issued April 2018)

## Audits Completed in 2017/18 and Overall Performance against the Audit Plan

Audit	Control Objectives (Number)	Control Objectives Met	Control Objectives Met In Part	Control Objectives Not Met	Assurance Rating
Audits Brought Forward from 2016/17 – Planned 2, Completed 2 (100%)					
Election Payments	5	5	0	0	Good
Internet and Email Controls	2	0	2	0	Substantial
Governance Audits – Planned 9, Completed 9 (100%)					
Benefits	6	5	1	0	Good
Business Rates	5	2	3	0	Substantial
Cash and Banking	5	5	0	0	Good
Council Tax	5	3	2	0	Substantial
Creditors	6	4	2	0	Substantial
Debtors	5	4	1	0	Substantial
ICT Governance	3	1	2	0	Substantial
Payroll	7	7	0	0	Good
Treasury Management	4	3	1	0	Good
High/Medium Risk Audits – Planned 14, Completed 13 (92.9%)					
Car Parks Income	5	4	1	0	Substantial
Community Infrastructure Levy	7	5	2	0	Substantial
Data Protection	5	1	4	0	Substantial
Emergency Planning	5	3	2	0	Substantial
Env. Services - Health & Safety	3	2	1	0	Substantial
Estates Income	2	0	2	0	Substantial
Garden Waste Income	4	4	0	0	Good
Grounds Maintenance Contract	4	2	2	0	Substantial
Homelessness Prevention Grants/Loans	1	0	0	1	Minimal
Joint Waste Contract - Central Admin	4	4	0	0	Good
Leisure Centre Contracts	3	3	0	0	Good
Planning Income	5	2	3	0	Substantial
Staff Appointments	3	3	0	0	Good
Totals: 24 Audit Reports (21)	104	72	31	1	
	100%	69.2%	29.8%	1.0%	
Good/Substantial Assurance	23 (20)		95.8% (95.2%)		
Limited/Minimal Assurance	1 (1)		4.2% (4.8%)		
Other Work Completed (No Report Required) – Planned 5, Completed 4 (80%)					
Agresso Upgrade/Replacement			Consultancy Work		
CRM Replacement			Consultancy Work		
DIP and Workflow Implementation			Consultancy Work		
Waste Contract			Consultancy Work		
Audits Not Completed at Year End – Total 1					
ICT Network Security			Work In Progress (8% Complete)		
ePIMS Property Database – Data Quality (Consultancy Work)			Offer of assistance not taken up		
Total Work Planned 2017/18	28 (27)		Percentage of Plan Completed 2017/18		
Total Work Completed 2017/18 <i>Excluding audits brought forward</i>	26.8 (25.8)		95.7% (95.6%)		

Previous year's performance italicised and in brackets.

## Summary of Progress on Recommendations Made up to 31 December 2017

### Audit Recommendations 2012/13 to 2016/17

Previous quarter's performance shown in brackets

	Issued	Implemented	Work-in-Progress	Not Started
High	22	22 (22)	0 (0)	0 (0)
Medium	260	258 (252)	1 (5)	1 (3)
Low	192	190 (189)	2 (2)	0 (1)
<b>Total</b>	<b>474</b>	<b>470 (463)</b>	<b>3 (7)</b>	<b>1 (4)</b>
	<b>99.2%</b>	<b>(97.7%)</b>	<b>0.6%</b>	<b>(1.5%)</b>
			<b>0.2%</b>	<b>(0.8%)</b>

Breakdown of outstanding audit recommendations for 2012/13 to 2016/17 by Head of Service:

#### Richard Parker-Harding (Environmental Services, Licensing & Community Safety)

- M3 Computer System – issued 06/02/17 (1 Medium)

#### Robin Vennard (Resources)

- Procurement – issued 07/08/15 (1 Medium)
- Credit Management (Debt Recovery) – issued 22/09/15 (1 Low)
- ICT Governance – issued 20/03/17 (1 Low)

### Audit Recommendations 2017/18 (up to 31 December 2017)

Previous quarter's performance shown in brackets

	Issued	Implemented	Work-in-Progress	Not Started
High	2 (0)	2 (0)	0 (0)	0 (0)
Medium	28 (11)	19 (6)	8 (4)	1 (1)
Low	24 (20)	21 (18)	3 (2)	0 (0)
<b>Total</b>	<b>54 (31)</b>	<b>42 (24)</b>	<b>11 (6)</b>	<b>1 (1)</b>
	<b>77.8%</b>	<b>(77.4%)</b>	<b>20.4%</b>	<b>(19.4%)</b>
			<b>1.8%</b>	<b>(3.2%)</b>