

Summaries of Internal Audit Reports Issued April – October 2013

1. Introduction

- 1.1 During the period, 14 audit reviews have been completed to final report stage. Audit reports are issued as final where their contents have been agreed with management, in particular, responsibility for actions and timescale. 7 of these audit reviews relate to work undertaken on behalf of East Cambs DC, the results of which are not included within this report.
- 1.2 The following sections contain a summary of the content of the internal audit reports issued during the current financial year. Each summary provides an indication of the issues arising from the reviews, as well as action taken in response to previous audit reports.
- 1.3 It should be noted that each summary below represents the situation at the point in time that the audit work was undertaken and therefore it is likely that a number of agreed key improvements will subsequently have been made.
- 1.4 Opinions are provided on the operation of control mechanisms where a full audit has been undertaken for the area reviewed: a key to these opinions can be found at the end of this appendix, at Section 9.

2. Compliance with Legislation – Money Laundering Regulations

- 2.1 The Money Laundering Regulations 2012 came into force on 1 October 2012. Money laundering is the process by which criminally obtained money or other assets (criminal property) are exchanged for clean money or assets with no obvious link to their criminal origins. It also covers money, however come by, which is used to fund terrorism. This high level audit reviewed the framework in place at the council to identify potential money laundering activity, staff understanding of money laundering, and awareness of the councils' Joint Anti-Money Laundering Policy. A ***substantial assurance*** opinion was provided.

Key areas where improvements are required

- 2.2 Staff awareness of the Policy could be improved. This has now however been addressed by including a note in the weekly staff newsletter, Wavelength, reminding staff of this Policy and requesting them to familiarise themselves with its contents.
- 2.3 The ongoing practice of reducing cash payments, encouraging the increased use of self-serve and on-line payments through the Business Process Re-engineering project will assist in providing transparent transactions.

3. Compliance with Legislation – Bribery Act

- 3.1 The Bribery Act 2010 became effective from 1 July 2011, its aim to reduce the levels of corruption across the UK without being unduly burdensome to organisations.
- 3.2 This audit was undertaken to provide assurance regarding the controls in place for compliance with legislation, specifically, the six principles (proportionate procedures; top level commitment; risk assessment; due diligence; communication including training; and monitoring and review) that organisations should adopt to prevent bribery from being committed. A **substantial assurance** audit opinion was given.

Key areas where improvements are required

- 3.3 In the spirit of continuous improvement, reference should be made in some key council documents (e.g. Contract Procedure Rules and Employees Code of Conduct) to the council's zero tolerance to bribery, and this should be communicated to staff and others who perform services for the council in order to help in deterring bribery.

4. Payment Card Industry Data Security Standards

- 4.1 The Payment Card Industry Data Security Standard (PCI DSS) is a worldwide security standard developed to protect cardholders' personal information. It is applicable to any organisation that stores, transmits or processes cardholder information. A **substantial assurance** opinion was provided.
- 4.2 Across both councils there are a number of locations and departments which process payments; many of these are through an integrated system which is PCI DSS compliant. However, a number of locations have separate systems; the audit review focused on the processes followed at these 'stand-alone' sites to assess compliance and storage of card holder data.

Key areas where improvements are required

- 4.3 Whilst no instances of card data misuse were identified in the audit, arrangements regarding recording and storage could be further improved upon.

5. Compliance with Legislation – Review of Arrangements for CCTV

- 5.1 This was the first review of the arrangements for CCTV systems across Forest Heath and St Edmundsbury Councils. The review considered whether CCTV systems are fit for purpose, how images captured are stored and used, and the training and support given to staff involved in the use of CCTV. A **substantial assurance** opinion was provided.

Key areas where improvements are required

- 5.2 The councils run several CCTV systems and each system is run independently meaning that sharing of knowledge and resources between systems could be better managed.
- 5.3 Improvements could be made in the training given to the staff who operate some of our CCTV systems.
- 5.4 Controls around system images could be improved upon to ensure they are retained for only as long as is necessary.

6. Treasury Management

- 6.1 This audit review covered controls relating to the management of the council's investments with approved organisations to achieve the best possible rate of return. Audit work undertaken resulted in a **full assurance** opinion being given.

Key areas where improvements are required

- 6.2 The control environment around treasury management activities was found to be strong and therefore, there are no findings or actions to report on following this audit work.

7. IT Software Licensing

- 7.1 This audit was undertaken to ensure that procedures regarding the operation of IT Software Licensing are open and transparent and that sound financial controls are in place. A **substantial assurance** audit opinion was provided.

Key areas where improvements are required

- 7.2 Due to the changes being undergone in the Council, and because of actions already underway to improve controls no further actions are felt appropriate from this audit.

8. Members Allowances and Expenses and Members and Officers Gifts and Hospitality

- 8.1 This audit review looked at the systems in place to ensure that the payment of allowances, and reimbursement of expenses, to Members are appropriate and correctly accounted for. The use and maintenance of gifts and hospitality registers in compliance with the Codes of Conduct for both Members and Officers was also considered.

Appendix A

- 8.2 It should be noted that these are standard areas for occasional inclusion in an annual Audit Plan and the audit review did not arise from any expectation of significant control weaknesses in this area.
- 8.3 The audit review mainly focused on the review of arrangements at St Edmundsbury BC but the main action agreed with management applies equally to both councils (paragraph 8.4 refers).

Key areas where improvements are required

- 8.4 Management may wish to consider adopting a unified approach to recording, monitoring, and reporting declarations of gifts and hospitality across both west Suffolk councils.

9. **Meaning of Opinions given in audit reviews**

Meaning of words used: -	
Full Assurance	The full assurance opinion is given where no significant or fundamental recommendations have been made and where controls within the system should provide full assurance that the risks material to the achievement of the system objectives are adequately managed.
Substantial Assurance	The substantial assurance opinion is given where a small number of significant, but no fundamental recommendations have been made and where controls within the system should provide substantial assurance that the risks material to the achievement of the system objectives are adequately managed.
Limited Assurance	The limited assurance opinion is given where a small number of fundamental and also a number of significant recommendations have been made and where controls within the system provide limited assurance that the risks material to the achievement of the system objectives are adequately managed.
No Assurance	The no assurance opinion is given where little or no assurance could be gained from a system where a large number of both fundamental and significant recommendations were proposed and where controls within the system provide little or no assurance that the risks material to the achievement of the system objectives are adequately managed.