



Mid-Year Internal Audit Progress Report 2018/19

Introduction

The purpose of this report is to:

- Provide a flavour of the audit work during the period 1st April 2018 to 31st October 2018
- Highlight any areas of concern
- Advise on progress against the 2018/19 Audit Plan

Overview

During the period we have completed six added value reviews, nine audits, and six follow up audits. There are also five audits / added value reviews in progress. Where audit findings are raised, action plans are agreed between internal audit and the relevant service to address these findings, and progress against these action plans is monitored by internal audit via follow up audit reviews.

Overall, progress against the annual Audit Plan is in line with expectations.

Based on the work completed to date, a summary of which is detailed below, we consider that generally the control environment remains good and where 'limited assurance' opinions have been issued work has either already been undertaken, or is planned, to address the issues raised. There are no other areas of particular concern to highlight.

Added Value Work

These are areas that were identified by management and internal audit as likely to benefit from internal audit reviewing relevant arrangements on behalf of management, and assisting in making improvements where appropriate.

The following pieces of added value work have been carried out:

<p>GDPR Health Check Follow Up</p>	<p>In 2017/18 internal audit carried out a health check in preparation for the introduction of the General Data Protection Regulation (GDPR) to consider the potential impact of the new Regulation on the councils and any steps that need to be taken to ensure compliance. It was agreed that a follow up audit</p>
---	--

Appendix A

	<p>review would take place prior to the date that GDPR came into force (25 May 2018) to determine what progress had been made.</p> <p>Discussions and sight of supporting documents confirmed that a considerable amount of work had been carried out and that work was still in progress / continuing within the service areas in preparation for GDPR implementation.</p>
CCTV	A significant piece of work was carried out to provide support to management to ensure that CCTV systems are compliant with current data protection requirements. Internal audit prepared an action plan for the service to implement, and we are following up on the progress of these actions on an ongoing basis. Good progress has been made to date.
Single Council Health Checks	We have performed a number of health checks, with positive results, against service implementation plan actions in readiness for 1 April 2019 when the new West Suffolk Council will be created. We will also be building further on this work in the coming months.
Customer Services Cash Handling	Working alongside customer services colleagues, internal audit carried out a piece of work reviewing cash handling practices at customer services locations, to highlight any inconsistencies and differing working practices. A number of inconsistencies between locations and areas where controls should be improved were identified and discussed with management.
Estates Management Review	An internal audit team member is supporting this review which is looking at estates management processes to inform any acquisition of a new estates management database.
Engagement and management of commissioned services, and project feasibility	<p>This work, which was commenced in 2017/18 and finalised in 2018/19, involved reviewing the councils' current methods for appointing and managing commissioned services; and also reviewing arrangements for ensuring that project feasibility procurement activity has been conducted with openness, probity and accountability, with clear contractual agreements in place as appropriate.</p> <p>The review made suggestions for improvements and internal audit created draft guidance for staff to refer to.</p>

Main Financial Systems and Corporate / Business Area Audits

These are the audits of the main financial systems that support the running of the councils and reviews of systems and processes where the internal controls are tested and evaluated.

Good Assurance Opinion for 2 audits

Reasonable Assurance Opinion for 5 audits

Limited Assurance Opinion for 2 audits

No Assurance Opinion for 0 audits

Good Assurance

Definition of Good Assurance - risks are managed well with no significant (medium risk) control issues or risks raised.

Treasury Management	<p>This audit review covered controls relating to the management of the councils' short-term and long-term investments with approved organisations to achieve the best possible rate of return.</p> <p><i>Key areas where improvement are required</i></p> <p>None</p>
Payroll (reduced scope)	<p>In previous years the control environment has been considered to be strong with robust key controls in place to ensure the accuracy and legitimacy of payroll transactions. As a result, a reduced scope payroll audit review was carried out for 2018/19 focusing on examining only a small sample of staff starters and leavers.</p> <p><i>Key areas where improvements are required</i></p> <p>None</p>

Reasonable Assurance

Definition of Reasonable Assurance - in general, risks are managed well. A number of significant (medium risk) control issues and risks have been raised.

Events Management	<p>This was the first time this area had been audited and was undertaken to provide assurance on the policies and procedures operating for the outdoor events management process.</p> <p><i>Key areas where improvements are required</i></p> <p>There are some improvements that can be made that will strengthen arrangements, in particular around the need to review website documentation, guidance and internal procedures to ensure they remain current / up to date; and ensuring all necessary documentation and monies owing to the councils by event organisers are received within the application timetable requirements so that they can be properly assessed and accounted for prior to the events taking place. In addition, learning arising from a recent health and safety desk top exercise in respect of events is currently being considered.</p>
--------------------------	---

Appendix A

<p>Contracts Management</p>	<p>A review of contract management was carried out to provide assurance that the councils’ contracts are being appropriately monitored, managed and that supplier resilience has been considered.</p> <p><i>Key areas where improvements are required</i></p> <p>A number of actions were agreed to improve arrangements in respect of the following: safekeeping of contract documentation; understanding as to when an extension can be taken up; performance measures and the mechanics for operating these, reporting and escalation processes, and penalties for non-compliance; and assessing contractor resilience.</p>
<p>Procurement Compliance</p>	<p>This audit reviewed compliance with the requirements of the Contract Procedure Rules and whether value for money could be evidenced for payments that are not linked to a contract.</p> <p><i>Key areas where improvements are required</i></p> <p>This work concluded that while procedures are designed effectively to enable the councils’ procurement activity to comply with the Contract Procurement Rules, there are examples of inconsistent application of the procedures.</p>
<p>Disposal of Confidential Office Waste</p>	<p>This was the first audit review of this area in recent years and was carried out to gain assurance in respect of the councils’ disposal of confidential office waste. The audit was timely with the introduction of the General Data Protection Regulation coming into force in May 2018.</p> <p><i>Key areas where improvements are required</i></p> <p>A number of actions were agreed to usefully improve arrangements, including the following: the need to carry out a procurement exercise to confirm that value for money is being achieved; remind staff and partners within our buildings of arrangements for disposing of confidential office waste; and seek regular re-confirmation from the contractor that they continue to hold the necessary licenses, certificates, insurances and accreditations to operate.</p>
<p>Health and Safety – Lone Working</p>	<p>This was the first time this area had been audited in recent years, its purpose to ensure that appropriate health and safety arrangements were in place for staff lone working including ensuring that lone workers are no more at risk than other staff in accordance with the councils’ duty of care for their staff.</p> <p><i>Key areas where improvements are required</i></p> <p>A number of actions were agreed to improve the control environment, mitigate risk and protect staff, including the need to remind managers that risk assessments should be in place, discussed with staff and reviewed on a regular basis, and to amend existing instructions for lone working and share these with staff.</p>

Follow Up Audit Work

Limited Assurance

Definition of Limited Assurance - management of risks is only partially achieved. Fundamental (high risk) and/or significant (medium risk) control issues and risks have been raised.

Transparency Code

This was the first such audit review and looked at whether a proactive approach is being taken to publishing data, and to what extent the councils comply with the publishing requirements of the 2015 Local Government Transparency Code (the Code).

Testing of a number of published data sets confirmed that confidence can be given to the public that the councils are maintaining high standards to prevent the publishing of personal, confidential or sensitive data as none was found to be published in the sample tested. However, controls in this area could be strengthened still further.

Internal audit welcomes that the councils, as part of the move to the new West Suffolk Council, are proactively reviewing processes and practices around data publication and protection. This also includes a new staff post to further strengthen information governance practice which is mentioned in the 'improvements planned / underway' section below.

Key areas where improvements are required

The councils provide a significant amount of data in the public domain, this can be as required by the Code or in the public interest. Whilst good practice is evident, this could be more consistent across both councils and this has resulted in audit recommendations being made to improve data, and processes to publish data.

Improvements planned / underway

A new, permanent Information Governance Officer post has recently been appointed to, the responsibilities of which include advising on, and monitoring compliance with, the Code taking into account the results of the audit review. Also, the Single Council Implementation Plan includes an action for the Publication Schemes to be reviewed, updated and published by 1 April 2019.

Health and Safety – Violence Register

This was the first audit review of this area and was carried out to gain assurance over the adequacy and effectiveness of current controls operating in respect of the Register (Violent / Aggressive / Unacceptable Behaviour).

Key areas where improvements are required

It was recommended that because the register is not being widely used there was a need for further consultation with service managers to establish the reasons for this and to jointly consider options moving forwards in terms of its purpose, usefulness, who has access and its location.

Appendix A

The follow up work below has been undertaken to check the extent to which agreed recommendations / actions have been implemented in respect of previous audits undertaken.	
Heritage Assets	A further follow up was undertaken on the audit of the Heritage Assets of St Edmundsbury Borough Council. Two actions were reported as work in progress, through enquiry with key members of staff this remains the case.
Contract Procedures	A follow up was undertaken on the contract procedures of the councils to establish if fair, accountable and transparent processes are in place. Actions were reviewed from the previous follow up resulting in confirmation that two actions had been completed, one superseded and one considered as work in progress. This work is also supported by 2017/18 reviews of Procurement Compliance and Use of Commissioned Services.
Cash handling Spot Checks	<p>A review was undertaken in 2017/18 to target and test processes with inherent risk of fraud and confirm whether expected cash handling controls were operating as intended at a number of Leisure & Culture locations.</p> <p>Eighteen actions were raised in the 2017/18 review and this follow up established that thirteen actions had been completed and one superseded. There were four actions where we considered some, albeit not significant, risk to remain - management has elected to accept the risk having considered the costs and benefits of addressing these four actions.</p>
Apex Cash Handling	A follow up has recently been undertaken to review the outstanding action regarding cash handling arrangements at The Apex. This action, regarding staff training for Payment Card Industry Data Security Standards and Anti-Money Laundering is now considered to be adequately addressed and no further follow up action is required.
Cyber Security	An evaluation of the councils' cyber security control framework in place against the UK Government Communications Headquarters (GCHQ) '10 Steps to Cyber Security' document was undertaken in 2017/18 to gain assurance on the security controls in place. The original review resulted in six actions being raised and a follow up was undertaken to assess the progress made on these. This work concluded that two actions were considered to be complete and four actions remained as work in progress. Subsequent enquiries established that one of the high risk actions (training) has now been completed while for the other high risk action (finalisation of a business continuity planning card) progress is currently being made.
Social Media	The three outstanding actions from the ICT Social Media audit review previously undertaken were discussed. Consideration was being given to address these low risk actions.

Work in Progress

We also have five audits in progress:

- Debtors
- Council Tax and Overpayments
- Housing and Council Tax Benefits

- General Ledger
- Anti-Fraud – Grant Payments

Yet to commence

The following audits are yet to commence:

- Creditors
- Car Parks Cash Handling
- Appraisal of IT risks
- Insurance – claims handling and reduction
- Procurement Cards
- Enforcement Notices
- ICT Asset Management
- Cash Handling Spot Checks

The above pieces of work will be programmed in based on their relative risk priority ratings unless other as yet unidentified work is deemed to be higher risk or otherwise adds greater value.

Other Significant work

Other key work undertaken during the period includes:

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.

This biennial exercise involves data matching of a number records such as benefits, payroll, pensions, housing waiting list, taxi driver licences, personal alcohol licences, parking permits and creditor payments. Internal audit takes a leading role in co-ordinating this exercise working across a number of service areas, as well as ARP, to support those staff to provide their services' data.

Data has been extracted for the 2018/19 exercise and provided to central government's Cabinet Office, with the

results expected in January 2019. These matches will then be risk assessed, reviewed, and any appropriate investigations undertaken as necessary.

Anti-Fraud

Fraud messages are published on the West Suffolk intranet at regular intervals to increase staff awareness.

The proposed programme of anti –fraud work is ongoing, with no significant risks raised.

Annual Governance Statement

Production of the West Suffolk Annual Governance Statement (approved by the Performance and Audit Scrutiny Committee in July 2018) and its associated documents.

Financial Vetting

During the year to date Internal Audit has also responded to around thirty requests for financial vetting or other related financial advice including assessments of organisations' financial suitability to undertake specified contracts for the councils.

Information Governance

Conducting early morning walk rounds of the main council offices and depots with feedback provided to the Officer Information Governance Working Group on any identified weaknesses that could result in information security risks.

Fee Earning Work

Internal audit is continuing to undertake fee earning work during 2018/19 and by the end of the financial year this is likely to result in approximately £11,000 - £13,000 of income being earned. Fee earning work consists of the following:

- audit of the council tax, housing and council tax benefits, and housing benefit overpayments systems at the Anglia Revenues Partnership (ARP) on behalf of East Cambridgeshire District

- Council and Breckland Council;
- fee earning grant certification work for the following organisations to check that the conditions of the relevant specific grant determinations have been complied with:
 - New Anglia LEP - to provide assurance to the Department for Business Innovation & Skills; and
 - Suffolk County Council - to provide assurance to the Trading Standards Institute