Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Internal Audit Service: Annual Report 2018/19
Meeting/Date:	Corporate Governance Committee – 12 June 2019
Executive Portfolio:	Strategic Resources: Councillor J A Gray
Report by:	Internal Audit & Risk Manager
Wards affected:	All Wards

Executive Summary:

The Public Sector Internal Audit Standards (PSIAS) requires the Committee to receive an annual report on the work of the Internal Audit Service. The report is required to include:

- The opinion
- A summary of the work that supports the opinion; and
- A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

This report details the work undertaken by Internal Audit during the year ending 31 March 2019 to support the following opinion statement.

> **Audit Opinion**
> Based upon work undertaken and statements from external assurance providers, it is my opinion that the Council's internal control environment and systems of internal control as at 31 March 2018 provide adequate assurance over key business processes and financial systems.
>
> However, the opinion excludes any view on the effectiveness of the key controls associated with the financial management system due to work in that area not being completed at the time of preparing this opinion statement.
>
> **David Harwood**
> **Internal Audit & Risk Manager** May 2019

The assurance opinion is at the same level as last year. The opinion is based on the outcome of 12 audit reviews and the review of key controls within three financial systems.

The 12 audits have identified 33 actions for improvement. None of these has been classified as 'red' or 'high risk' actions (i.e. meaning the uncontrolled risk has the potential to seriously affect service delivery).

There are three areas that need to be brought to Committees attention.

1) Continuing issues with the collection of historic debt.

2) The lack of oversight of the small works contract due to a lack of specialist and expert knowledge.
3) Managers continued poor performance in introducing on time, actions that they have already agreed too.

The Internal Audit & Risk Manager (IARM) continues to report functionally to the Corporate Governance Committee and maintains organisational independence. He has had no constraints placed upon him in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

Quality Assurance and Improvement Programme

One of the major elements of the PSIAS is the requirement to maintain a quality assessment and improvement programme This has been in place throughout the year. A self-assessment review was undertaken in May 2018 to evaluate Internal Audit's conformance with the PSIAS ahead of a planned independent external assessment. Neither the action plan from the self-assessment nor the external assessment have been delivered, due to the Internal Audi & Risk Manager deciding that delivery of the internal audit plan was more important than allocating resources to the QAIP.

The Resources restructure that is due to be implemented in the next few weeks will remove non-audit duties (insurance/risk management) from the team. A proportion of the time that will be freed will be spent on delivering the action plan.

RECOMMENDATION

It is recommended that the Committee:

1. Consider and comment upon the report; and
2. Take into account the Internal Audit & Risk Manager's opinion when considering the Annual Governance Statement for 2018/19.

1. PURPOSE OF THE REPORT

1.1 This is the annual report of the Internal Audit & Risk Manager (IARM). It covers the period 1 April 2018 to 31 March 2019.

1.2 The report includes the IARM annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes.

2. WHY IS THIS REPORT NECESSARY

2.1 The Accounts and Audit (England) Regulations 2015 require the Council to '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'.

2.2 The Public Sector Internal Audit Standards (PSIAS) require an annual report to be considered by the Committee as they fulfil the role of the Board (as defined by PSIAS). The PSIAS details the matters that are required to be included in the annual report. These are:

a) The opinion
b) A summary of the work that supports the opinion; and
c) A statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

3. ANALYSIS

3.1 The overall opinion of adequate assurance is unchanged from last year. The internal control environment is generally effective.

3.2 There have been two substantial assurance, four adequate assurance and three limited assurance reports issued in 2018/19. There are a number of matters within these reviews and from other work undertaken that need to be brought to the Committee's attention.

Debt management
The Council's policy of prompt debt referral and the expectation of prompt action is not being delivered by 3C Legal. Until changes to the debt recovery process are introduced any new debts referred to 3C Legal may not be recovered promptly.

Small works contract
The contract ended in March 2019 and has not been retendered. Individual works are being ordered in accordance with the Code of Procurement. Following the restructure of the Project and Assets team and staff redundancy, the Council has no staff who are qualified or experienced in assessing and challenging work ordered under the contract. This has led to staff with little experience ordering and authorising invoices. A review of how the Council manages all its assets is planned for 2019 and it is expected that this will establish if there is a need for a similar contract in the future.

Implementation of agreed audit actions on time
The performance indicator (% of agreed internal audit actions introduced on time) provides an assessment of the commitment and effectiveness of management in implementing actions. Managers who do not implement agreed actions arising from internal audit findings expose the Council to continued risk. Over the course of the year performance has fallen. Only 63% of agreed actions were introduced on time at March 2019 compared to 79% at March 2018.

In addition from a sample of follow-up reviews undertaken some actions are being marked as fully introduced when evidence suggests otherwise. Such action inflates the percentage performance figure leading to inaccurate figures being reported.

4. KEY IMPACTS

4.1 Failure to provide an annual report would lead to non-compliance with the PSIAS and require the matter to be reported in the Annual Governance Statement.

5. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

5.1 The annual report will be considered by the Committee during the preparation of the Annual Governance Statement.

6. LINK TO THE CORPORATE PLAN

6.1 The Internal Audit Service provides assurance to management and the Committee that risks to the delivery of the Corporate Plan across all of its areas are understood and managed appropriately.

7. RESOURCE IMPLICATIONS

7.1 There are no direct resource implications arising from this report.

8. REASONS FOR THE RECOMMENDED DECISIONS

8.1 In fulfilling its obligations under the PSAIS, the Committee is required to receive an annual report on the work of the Internal Audit Service. The outcomes of the report, particularly the annual opinion statement, will be included within the Council's annual governance statement.

9. LIST OF APPENDICES INCLUDED

Appendix 1 - Internal Audit Service annual report 2018/19.

BACKGROUND PAPERS

Internal Audit Reports
Internal Audit performance management information

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Appendix 1

Internal Audit Service
Annual Report 2018/19

1. INTRODUCTION

1.1 This is the annual report of the Internal Audit & Risk Manager (IARM) as required by the Public Sector Internal Audit Standards (PSIAS). It covers the period 1 April 2018 to 31 March 2019.

1.2 The report includes the IARM's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. The opinion is based upon the work carried out by Internal Audit during the year.

1.3 The report provides information on:

- the delivery of the annual audit plan;
- audit reports issued and issues of concern;
- implementation of agreed actions;
- Internal Audit's performance; and
- the quality assessment and improvement programme.

2. OVERALL OPINION

Audit Opinion
Based upon work undertaken it is my opinion that the Council's internal control environment and systems of internal control as at 31 March 2019 provide adequate assurance over key business processes.

However, the opinion excludes any view on the effectiveness of the key controls associated with the financial management system due to work in that area not being completed at the time of preparing this opinion statement.

David Harwood
Internal Audit & Risk Manager May 2019

2.1 Assurance can never be absolute. The audit opinion reflects the IARM view on the current state of the internal control environment and the effectiveness of the systems of internal control across the Council and provides the Committee with an opinion for inclusion in the Annual Governance Statement (AGS).

If significant changes occur to the internal control environment prior to the Committee approving the AGS the Committee will be informed.

2.2 In preparing the internal audit plan for 2018/19, Managers were asked if they were aware of any planned reviews by external organisations from which assurance could be obtained on the operation of the internal control environment and systems of internal control. With the exception of the statutory external audit of accounts/grant certification no other external assurances were identified for 2018/19.

2.3 The IARM continues to report functionally to the Corporate Governance Committee and maintains organisational independence. He has had no constraints placed upon him in respect of determining overall audit coverage, audit methodology, the delivery of the audit plan or proposing actions for improvement or forming opinions on individual audit reports issued.

3. DELIVERY OF THE 2018/19 AUDIT PLAN

3.1 In an effort to ensure the audit plan was reflective of the key risks faced by the Council a trial was undertaken in 2018/19 of preparing the audit plan on a quarterly basis. The audit plan was presented to the Corporate Governance Committee on 28 March 2018 (Qtr. 1 plan), 26 July 2018 (Qtr. 2), 10 October 2018 (Qtr. 3) and 23 January 2019 (Qtr. 4).

3.2 In addition to providing information on forthcoming audits the reports also provided the Committee with details of progress to date and any changes that had been made to the previously agreed quarterly plan. This allowed the Committee to have full oversight of the work of internal audit during the year and provide constructive challenge.

Internal Audit Reports Issued

3.3 Audit reports issued are listed in the table below - grouped by assurance opinion (see Annex B for further explanation) and showing action type and number of actions.

Audit area		Action type & No.	
		Red	Amber
Substantial			
	Payroll	---	---
	Council Anywhere **		4
Adequate			
	Freedom of Information		6
	New mobile phones – procurement & roll-out		2
	PCI-DSS **		5
	Protocol IT policy system management **		5
Limited			
	IT disaster recovery		5
	Information security healthcheck **		2
	Land charges**		4
No opinion given			
	Small works contracts	---	---
	Management of historic debt	---	---
	Taxi licence fees	---	---
	** Draft reports (status as at 31/05/2019).		

3.4 A number of internal audit reviews from the 2018/19 plan are still underway. Reports are anticipated on the following audit reviews:

• Hired staff budget management • IT policy management	The audits have been delayed due to difficulties in obtaining information from services.
• LEAN review process	Delayed due to audit resources being allocated to other reviews.
• Housing Benefits	The fieldwork has been completed and discussions on the findings are due with the customer. This audit is likely to result in an adequate opinion.

3.5 In addition to the reports listed above, reviews or audit involvement have also been undertaken on the following areas.

- The procedures followed for checking and approving requests from suppliers to change their bank account. This work was requested by the Head of Resources following a successful email phishing scam on a supplier, which led to fraudulent bank account change request being acted upon. The review led to the introduction of new procedures which have successfully stopped a similar fraud from occurring. The fraudulent payment has been recovered in full and no losses incurred.
- The application of the 'fit and proper' test assessment for private hire operators.
- Investigating a data breach and supporting the disciplinary process that arose from the investigation.
- Reviewing processes and procedures that had been introduced within the homelessness prevention pilot.
- Preparing the Local Code of Corporate Governance, 2017/18 annual governance statement (AGS) and reviewing the progress made to deliver the five themes within the AGS.

Guidance has also been provided to managers and staff on an ad-hoc basis on a wide variety of risk and control issues.

3.6 As in previous year's, the audit plan included time to review key controls within a number of key financial systems. Reviews for those controls associated with the T1 financial management system (user access, control account reconciliations, journal review, accounts payable and accounts receivable) were not undertaken for the first three quarters of the 2018/19 financial year. This was due to:

- The launch of T1 on 9 July 2018 and the need for staff to work with it on a daily basis in order to fully understand it.
- A request from Senior Leadership Team that the work be undertaken in conjunction with the Cambridge City and South Cambridgeshire internal audit team (2C's). Meetings were held and information on potential tests exchanged, but 2C's were not in a position to undertake the work in the timeframe we were looking at.
- Restrictions on staff time due to competing priorities, both within the service and the audit team, have delayed the process to identify key controls. Subsequently the system walk through to identify key controls was not completed until Qtr. 4.

The Qtr. 4 reviews of the T1 key controls are being undertaken and if completed ahead of the Committee meeting an update will be provided.

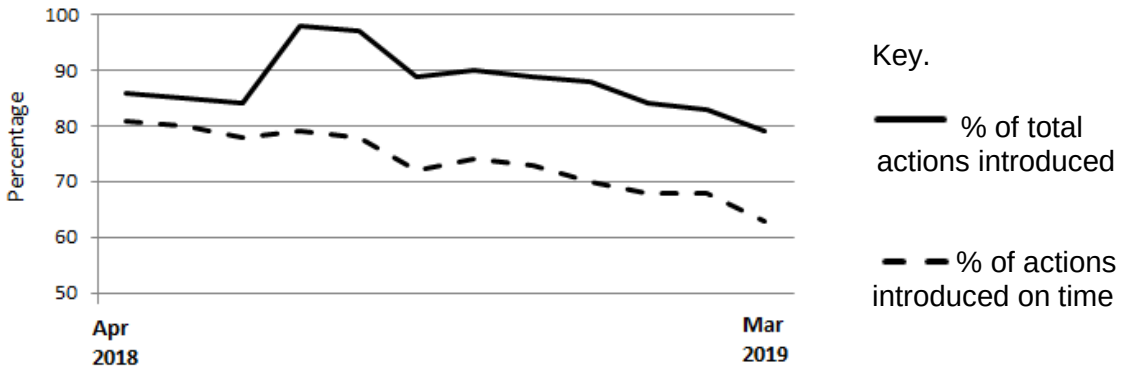
3.7 The assurance opinions given on the remaining key financial systems are set out in the table below.

Audit area	Level of assurance				Action type & No.	
	Substantial	Adequate	Limited	Little	Red	Amber
Council tax & non-domestic rates		✓			---	---
Housing Benefits – payments		✓			---	---
– recovery		✓			---	---
Main accounting system	No reviews have been completed					
Accounts payable (Creditors)						
Accounts receivable (Debtors)						

3.8 Annex A provides a summary of the main findings from each audit report issued.

4. IMPLEMENTATION OF AGREED ACTIONS

4.1 The Corporate Leadership Team has set a target of 100% of agreed actions to be implemented on time, based on a rolling 12 month timeframe. As at the 31 March 2019 the figure achieved was 79% (55 actions from a total of 87). This increases to 84% (69 actions from a total of 87) when actions implemented on time and late are combined.



4.2 Not all of the introduced actions are routinely followed up. The IARM decides if a follow-up review is required after considering the actions classification, the action itself, the evidence provided by a manager to support the closure of the action and his own knowledge of the action taken.

4.3 A total of 43 follow-up reviews have been completed on actions marked as having been fully introduced in the audit actions software (4Audit). 30 have been introduced as agreed with the remaining 13 either being marked as introduced when evidence suggests otherwise, or only being partially introduced. Actions that have been marked incorrectly as being closed are

reopened. In addition, Managers have uploaded evidence to 4Action on a further 29 occasions to show what steps they have taken to introduce an agreed action. This evidence has been reviewed by the IARM who was content that action had been introduced as agreed.

5 LOW GRADED AUDITS FROM PREVIOUS YEARS

5.1 Ten audit reviews had been given 'limited' assurance opinions in previous years. They are listed in the table below together with a summary of the progress made towards implementation of the agreed actions.

5.2 A revised assurance opinion, based upon the action that has been taken by the Manager and evidence from the follow-up work that has been completed is included in the table. The revised opinion is only a guide to the potential improvement that would be expected if the audit was repeated and all other system controls remained effective.

5.3 In addition to the ten reviews listed below, a draft audit report was issued in April 2018 on the procedures for administering the commercial property estate. No audit opinion was attached to the draft report, although indications were that it would be limited. The Head of Resources has stated that it is not appropriate to progress the audit report as it is the intention to restructure the Estates service. Once that has been completed the findings and 15 provisional findings in the report will be addressed.

Original assurance level	Agreed Action		Audit area	'Potential' level of assurance	Current position
	Red	Amber			
2014-15					
Limited	1	1	**E-payments** The red action remains outstanding. It was reported to Committee in January 2018 that introducing the action - requiring the Council to become compliant with the Payment Card Industry (PCI) Data Security Standard (DSS) was to become a specific project, overseen by the Project Management Governance Board. PCI-DSS compliance has not yet been achieved.	Adequate	An audit of PCI-DSS was undertaken in 2018/19. This received an adequate assurance opinion. Whilst PCI-DSS compliance has not yet been achieved, a substantial amount of work has been completed and there is a clear work plan to deliver this.
2016-17					
Limited	1		**Safeguarding** The action has an implementation date of December 2018. A Safeguarding Governance Board has been established and is meeting monthly to oversee and progress the 14 actions detailed in the Safeguarding internal audit report.	Adequate	A follow-up review was completed in April 2019. This found that the action had been introduced and the Governance Board's own action plan delivered.

Original assurance level	Agreed Action		Audit area	'Potential' level of assurance	Current position
	Red	Amber			
Limited	1		**Management of complaints** The agreed action (i.e. the processes for dealing with complaints should be subject to a lean review) has been completed. The management of complaints was reported to Committee as being of significant concern to the IARM in the 2016/17 internal audit annual report. The Committee subsequently included the following action in the 2016/17 AGS - "ensure better outcomes are delivered to customers by improving that way in which complaints are recorded, investigated and outcomes reported back to the complainant". This action remains outstanding and as a consequence the level of assurance has not been increased.	Limited	The audit action was marked as completed by the Manager in June 2017. Internal audit planned to review the management of complaints to address the 16/17 AGS concerns (and also recorded in the 17/18 AGS) but this audit has not been undertaken. Consequently there is no evidence available to change the assurance level.
2017-18					
Limited	3	3	**One Leisure – Bars & catering** All of the actions have been closed. However when completing a follow-up review in January 2019 it was found that one amber action relating to agreeing the number of staff on rota for an event had not been introduced.	Adequate	As 5 of the 6 actions have been completed, it is appropriate to amend the assurance level.
Limited	4	4	**Maintenance of operational property** 3 red and 1 amber action have been introduced. The implementation dates for the remaining actions have not been reached.	Limited	A service restructure is due to commence during 19/20. This is likely to affect delivery of the 4 remaining actions.
Limited	1	6	**Refuse & kerbside waste collection** All the actions have been introduced.	Adequate	
Limited		18	**One Leisure – membership and income** 16 of the actions have been introduced. One action has passed its introduction date, the other has not yet reached it.	Adequate	

Original assurance level	Agreed Action		Audit area	'Potential' level of assurance	Current position
	Red	Amber			
Limited		7	**Value for Money - Procurement** 5 actions have been introduced. Two have not yet reached their implementation date.	Adequate	
Limited		6	**Employee probationary period management** Five of the six actions have been introduced.	Adequate	
Limited	1	9	**IT Network Security:** The network security review covered three areas – intrusion detection, patch & vulnerability management and firewall management. All the actions have been marked as being introduced.	Limited	A specific audit to review progress has been undertaken (Information security healthcheck, see table at 3.7). This found that five of the previously agreed 10 actions had not been adequately addressed.

6. INTERNAL AUDIT PERFORMANCE

6.1 Internal Audit maintains a series of internal performance targets. The performance as at 31 March 2019 is detailed below.

6.2 **Customer satisfaction**

Target: 85% or more of customers rating service quality as good or better via customer survey forms.

Outcome: 12 months to March 2019 – one response received
2018 – 100%

Four customers surveys have been issued during the year. Only one response have been received, which rated the overall quality of the review to be 'very good'.

6.3 **Service delivery targets**

	Target	March 2019		March 2018
a) Complete audit fieldwork by the date stated on the audit brief.	75%	Above target	100%	77%
b) Issue draft audit reports within the month stated on the audit brief.	80%	Above target	86%	82%
c) Meet with customer and receive response allowing draft report to progress to final within 15 working days of issuing draft report.	75%	Below target	60%	81%
d) Issue final audit report within 5 working days of receiving full response.	90%	Above target	100%	95%

6.4 In an effort to introduce leaner reporting practices, a number of reports issued during the year were issued as memorandums, rather than formal reports. This meant that in a number of cases draft reports were not issued, and so could not be counted against c) above. Two of the five reports that met category c) were late, hence the 60% figure.

7. QUALITY ASSESSMENT & IMPROVEMENT PROGRAMME (QAIP)

7.1 The IARM has maintained a QAIP throughout the year in accordance with the PSIAS. In May 2018 an auditor undertook a self-assessment to evaluate Internal Audit's conformance with the PSIAS in preparation for the independent external review that (as per PSIAS) was required to be completed by March 2019. The IARM however decided not to commission an external review, primarily due to the need to spend time delivering the audit plan rather than dealing with an external assessment. For similar reasons, the action plan prepared from the 2018 self-assessment has also not been delivered.

As reported last year, the main issues identified from the self-assessment (and which remain) are:

- Auditor training on PSIAS changes introduced from April 2017
- On-going assessment and identification of auditor training and development needs
- Full review of the audit manual to reflect a number of initiatives introduced over the last two years (output from LEAN review of Jan 2017, changes to the QAIP, revised follow-up process).

7.2 The Resources restructure that has recently been completed will remove responsibility for both insurance and risk management services from internal audit. The IARM has spent a significant amount of time on insurance matters during 2018/19. It is anticipated that by removing both of the service areas time will become available to deliver the self-assessment and prepare for the external PSIAS review. The IARM does not consider that there are any issues identified in the self-assessment or since, that would result in non-conformance with PSIAS.

Annex

A. Summary of key findings and good practice identified from 2018/19 internal audit reviews.
B. Definitions used in the report

David Harwood : Internal Audit & Risk Manager
Huntingdonshire District Council
May 2019

Annex A

Summary of key findings and good practice identified from 2018/19 Internal Audit reviews

Substantial assurance

Payroll

Key findings

The review established that there is a robust control framework in place, with a high level of compliance.

Council Anywhere **

Key findings

- There is no evidence of formal approval of the business case for the ICT Service.
- Training was rolled out on an application-by-application basis as the project progressed, however training needs were not assessed during the pre-project planning cycle which led to reactive planning.
- Appropriate responsibility was not delegated to respective Executive Leads representing the individual Councils to ensure the decision-making process was efficiently run.

Good practice

- Staff inclusion and user focus in developing the project has been amply demonstrated through 'Art of Possible' Workshops and Outcomes.
- The use of Champion Sessions and developing local champions across all sites has assisted communication and local embedding of the project in a co-ordinated manner having regards to the different cultures of each Council.
- The process for identifying the software applications and hardware to be used to deliver the project was based on using established IT procurement guidance set by the National Cyber Security Commission.
- User acceptance testing was performed for each of the installed applications: Skype for Business and Microsoft Outlook.
- Network security and data loss prevention controls are being deployed.
- A phased approach to staff training as the project was being rolled out at each Council. This included workshops, drop-in sessions and also guides published on the intranet.

Adequate assurance

Freedom of Information

Key findings

- Staff guidance does not provide information on all aspects of the FoI process (including identification and handling; redaction; exemptions; vexatious requests; fees and hours; checking for previous requests).
- The ICT data quality template for documenting the FoI performance measures has not been completed
- FoI training has not been made mandatory for all staff or included in PDRs.
- The Corporate Retention and Records Management Policy is due an update and reissue.

Good practice

The process for handling FoI is strong and well managed. FoI requests submitted are consistently being dealt with in the statutory 20 days. Many areas of strength were noted during the audit including:

- The Team have identified areas for improvement in the FoI case management system and had already taken steps to arrange for the supplier to incorporate these into a new upgrade
- FoI co-ordinator 'champions' had been established within service areas.
- Reminders are sent to both co-ordinators and managers to ensure action is progressed and missed targets minimised.

Annex A

Summary of key findings and good practice identified from 2018/19 Internal Audit reviews

New mobile phones – procurement & roll-out

Key findings
- Arrangements for the review of bills have not been formalised
- Mobile phone policies require review and update

Good practice
3C IT staff have worked hard on a lengthy and complex project to ensure the smooth delivery of handsets to officers across the 3Cs.. Feedback from service users indicates that they have been happy with the transition to the new provider and are satisfied with the new phones. Project management has been robust and officers are aware of and continually report to the relevant boards on progress and issues.

PCI-DSS **

Key findings
- The project is not complete as per the planned completion date.
- A process to assess the training requirement for all members of staff has not been established.
- A strategic policy for PCI DSS has not been put in place and agreed.

Good practice
- A gap analysis was carried out by a consultant in November 2017 that provided useful information on data flows for different methods of payments processing, and guidance on what could be in scope for PCI DSS.
- The project initiation document was prepared in January 2018 which clearly outlined the scope of the project to justify the need and to support the decision for the PCI DSS project.
- A Project Board has been established as a strategic management body.
- Progress highlight reports are sent to the Project Manager on a weekly basis to summarise activities completed in the week, the following week's activities in order to track against the project plans milestones and in depth risks and issues identified.
- Detailed progress reports are prepared and circulated to the Project Board on a monthly basis.

Protocol IT policy system management **

Key findings
- The Council's IT related policies have not been rolled out to staff or published on the 3C intranet.
- No awareness raising programme has been established for all members of staff.

Good practice
- The 23 information policies meet the minimum standards set out within ISO 27001, Payment Card Industry, Public Services Network and Data protection standards.
- The Council has a plan to review all the policies at the Information Governance Board on an annual basis.

<u>Limited assurance</u>

IT disaster recovery

Key findings
- The risks of disruption to the ICT Shared Service and the impacts of such a disruption have not been identified and assessed.
- The recovery time and recovery point objectives for critical IT infrastructure and the new data centres have not been defined.
- The Council's IT disaster recovery procedures do not include the server consolidation nor are there defined technical recovery plans in place for

critical IT infrastructure and systems.
- The IT disaster recovery procedures have not been formally tested and there are no arrangements for testing the procedures on a routine basis.
- There are no documented backup and recovery procedures in place, including a defined schedule for testing backups for recoverability on a routine basis.

Good practice
- The roles and responsibilities for managing the response to a disaster have been defined.
- There are defined procedures for identifying, assessing and escalating potential incidents.
- Resilience has been incorporated into the design and configuration of the IT network.

Information security healthcheck **

Key findings
- The actions required to address seven of the 15 findings raised in the 2016/17 and 2017/18 audits have not been fully completed or are not satisfactory to address the risks identified.
- Whilst an action plan is in place for remediating the issues identified in the PSN Code of Connection IT Health Check, it was found that a number of actions are overdue and have not yet been completed.

Good practice
- The Council has undertaken a PSN Code of Connection IT Health Check in March 2018, which was performed by NTA Monitor Ltd, and has put in place arrangements for the Health Check to be performed on an annual basis.
- Changes to the Council's firewall rules now require a formal change request to be raised and approved by a Change Advisory Board and a record of changes is maintained
- Resilience has been incorporate into the design and configuration of the IT network.

Land charges**

Key findings
- It is not clear if the costs attributed against the land charges budget are complete and accurate as they could not be verified.
- Support cost fees are not clear.
- The spreadsheet used to calculate costs and fees is not supported by any guidance or procedure notes and is difficult to understand or interpret.

No opinion given

Small works contracts

Key findings

After undertaking some preliminary work (speaking to staff who regularly use the contract, reviewing the contract and a sample of paid invoices) it was clear that staff are aware of a number of issues with the contract and further work would add little value.
- Since the redundancy of engineering staff who initially set-up the contract the Council has no staff who are qualified or experienced in assessing and challenging the work carried out. Removing the Projects and Assets team has resulted in a loss of knowledge / expertise in managing the contract and in supporting services with work requests, pricing and inspections. Review of invoices submitted via the Project and Assets team revealed a clearer breakdown of costs in terms of labour, plant and materials,

supported by work instructions, and demonstrating clear involvement from the team in liaising with contractors and organising works on behalf of services.

- The contract was let in 2016 for one year with the option to extend for two further one year terms. This is operating in practice although no formal contract extensions have been confirmed in writing. The contract is due to expire in March 2019, and needs to be retendered to comply with the Code of Procurement.
- There is little checking of quoted prices or checking/inspecting works against invoices prior to approval. Staff use their professional judgement to evaluate whether the cost of work undertaken is appropriate.
- Billing for jobs is not timely. Invoices are generally submitted by the contractor in bulk which can impact on budget forecasting, accruals and the ability to inspect works on a timely basis.
- Invoices submitted do not split out costs in accordance with the contract price list, instead show a single line amount, which makes it difficult for staff to compare rates to those quoted in the contract and ensure that they are getting best value.

Management of historic debt

Key findings: The Council's policy of prompt referral and the expectation of prompt action is not being delivered. The audit concentrated on historic debt, but concerns remain that until changes to the debt recovery process are introduced any new debts referred to 3C Legal may not be recovered promptly.

- 3CLegal are not recovering debt routinely as capacity issues prevent this.
- No performance management information or monitoring of the current position is taking place.
- 3C Legal are holding debt information in two separate systems. Some cases are also not fully recorded and details can only be gained by reference to the paper file.
- Some debts are out of time and are not recoverable. Without a change in process, future debts referred to 3C Legal may also become out of time.
- 3C Legal have no policy/written procedures in place that sets out the timescale or action that will be taken on debts referred.
- The Council has wasted money and resources securing judgment but then not undertaking recovery action.

Statuary licence fees

Key findings: This review was undertaken to confirm that all relevant and associated costs with statutory licensing are identified and recovered.

- In previous years all recharges and costs were charged through the Licensing cost centre. Costs are now held in several places requiring the Licensing Manager to collate these in order to arrive at the total cost.

Main financial system

Council Tax & Non Domestic Rates

The controls are operating as expected and all the necessary reports and checks have been produced and undertaken. There are no actions arising.

Annex A

Summary of key findings and good practice identified from 2018/19 Internal Audit reviews

Housing Benefit – Accounts Payable and Receivable

The controls were generally found to be operating as expected and as such there is no need to make any formal recommendations.

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Assurance definitions: for information

Substantial Assurance	There are no weaknesses in the level of internal control for managing the material inherent risks within the system. Testing shows that controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically apart from any excessive controls which are identified in the report.
Adequate Assurance	There are minor weaknesses in the level of control for managing the material inherent risks within the system. Some control failings have been identified from the systems evaluation and testing which need to be corrected. The control failings do not put at risk achievement of the system's objectives.
Limited Assurance	There are weaknesses in the level of internal control for managing the material inherent risks within the system. Too many control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
Little Assurance	There are major, fundamental weaknesses in the level of control for managing the material inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meetings its objectives.

Internal control environment

The control environment comprises the systems of governance, risk management and internal control. The key elements of the control environment include:

- establishing and monitoring the achievement of the organisation's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
- the financial management of the organisation and the reporting of financial management
- the performance management of the organisation and the reporting of performance management.

System of internal control

A term to describe the totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.