

# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date:** 23 July 2018

**Report of:** Head of Finance and Audit

**Subject:** INTERNAL AUDIT PROGRESS REPORT

#### **SUMMARY**

This report provides the assurances arising from the latest internal audit work and gives an update on progress being made with the delivery of the audit plans.

#### **RECOMMENDATION**

It is recommended that the Committee notes the progress and findings arising from Internal Audit work.

## INTRODUCTION

1. This report highlights the progress made to date on the delivery of the Internal Audit Plans and the assurances that can be obtained from the work now completed.

## FINALISING PREVIOUS AUDIT PLANS

2. The current status of the 9 audits remaining from the previous Audit Plans is detailed in [Appendix One](#). Two reports have now been finalised and 2 more reports have moved to the draft report stage.

## DELIVERY OF 2017/18 AUDIT PLAN

3. Work is progressing on the delivery of the revised audit plan, as noted in Appendix Two, such that a further 10 audits have now been finalised.

## PROGRESS OF 2018/19 AUDIT PLAN

4. Work has started to deliver the 2018/19, as noted in Appendix Three, such that 1 audit has now reached the fieldwork stage.

## FINDINGS FROM COMPLETED AUDITS

5. The twelve latest final reports that have been issued are listed below with the opinions given and number of recommendations made:

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Housing Benefits 2017/18	Strong	-	-	-
Employer's Pension Responsibilities 2017/18	Strong	-	1	-
Accounts Receivable 2017/18	Strong	-	1	1
Income Management 2017/18	Reasonable	-	2	2
Income Collection and Banking 2014/15	Reasonable	-	3	1
Outdoor Recreation Follow Up 2017/18	Reasonable	-	3	3
Leisure Centre Contracts 2017/18	Reasonable	1	1	-
Contract Procedure Rules	N/A	-	-	-
Contract Deeds Management 2015/16	N/A	1	4	-
Employee Performance Management 2017/18	N/A	-	5	-
Effectiveness of Ethics Related Activities – Follow Up surveys 2017/18	N/A	-	9	-

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Data Protection in Services 2017/18	N/A	3	3	-

6. Detail of the recommendations made and the actions to be taken is provided in [Appendix Four](#). The findings from the work on Contract Procedure Rules is the subject of a separate report on the agenda.

### **RISK ASSESSMENT**

7. A few areas where controls could be strengthened in relation to compliance with the General Data Protection Regulation have been identified. This is the subject of a corporate project being overseen by senior managers.

### **Appendices:**

**Appendix One** - Update on Outstanding Audits from Previous Plans

**Appendix Two** - Audits in the 2017/18 Audit Plan

**Appendix Three** - Audits in the 2018/19 Audit Plan

**Appendix Four** - Findings from the Latest Completed Audits

**Appendix Five** - Reference Tables

**Background Papers:** None

### **Reference Papers:**

Report by the Director of Finance and Resources to the Audit and Governance Committee on 10 March 2014 on the Contractor Annual Audit Plan 2014/15

Report by the Director of Finance and Resources to the Audit and Governance Committee on 16 March 2015 on the Internal Audit Strategy and Annual Audit Plan 2015/16

Report by the Head of Finance and Audit to the Audit and Governance Committee on 14 March 2016 on the Internal Audit Plan 2016/17

Report by the Head of Finance and Audit to the Audit and Governance Committee on 17 March 2017 on the Internal Audit Plan 2017/18

Report by the Head of Finance and Audit to the Audit and Governance Committee on 18 March 2018 on the Internal Audit Plan 2018/19

### **Enquiries:**

For further information on this report please contact Elaine Hammell. (Ext.4344)

## APPENDIX ONE

### Update on Outstanding Audits from Previous Plans

The following table shows those audits that were outstanding in the last quarterly report and shows the current position with finalising the work.

Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
					Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
<b>2014/15</b>										
<b>Income Collection &amp; Banking</b>	Fundamental	15	<b>Stage 10</b>	Reasonable	-	3	1	-	-	1
Information Governance Opinion	Computer	6	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							
<b>2015/16</b>										
Land Charges	Service and Systems – HR	12	Stage 8							
<b>Contract Deeds Management</b>	Thematic Review	15	<b>Stage 10</b>	Not Applicable	1	4	-	-	-	-
<b>2016/17</b>										
Daedalus Operating Contracts	Service and Systems – High Risk	12	Stage 9							
Cloud Based Computing	Computer	15	Stage 8							
Leaseholder Charges	Joint working project		Stage 5							
Building Health and Safety Risks	Follow Up / Joint working project		Stage 9							

\* A key to the information in this column is given in Appendix Five.

## APPENDIX TWO

### Audits in the 2017/18 Plan

No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
<b>OPINION AUDITS</b>											
1	<b>Main Accounting System and Budgetary Control</b>	Fundamental System	11	<b>Stage 10</b>	Reasonable	-	1	2	-	-	-
2	<b>Accounts Receivable (NEW)</b>		15	<b>Stage 10</b>	Strong	-	1	2	1	-	1
3	<b>Income Management (NEW)</b>		12	<b>Stage 10</b>	Reasonable	-	2	1	3	-	2
4	<b>Housing Benefits (NEW)</b>		10	<b>Stage 10</b>	Strong	-	-	-	-	-	-
5	<b>Leisure Centre Contracts (NEW)</b>	Corporate /contract	10	<b>Stage 10</b>	Reasonable	1	1	2	-	-	-
6	<b>Ferneham Hall &amp; Databox</b>	Service and Systems – High Risk	20	<b>Stage 10</b>	Limited	2	10	3	-	-	2
7	Commercial Estates		15	Stage 9							
8	Property Maintenance & Inspections at Non-Housing Buildings		15	Stage 1							
9	Developers Contributions		15	Stage 6							
10	<b>Homelessness (V)</b>		15	<b>Stage 10</b>	Strong	-	1	-	-	-	1
11	<b>Dog Control</b>		6	<b>Stage 10</b>	Limited	-	7	1	-	-	-
12	<b>Pest Control</b>		6	<b>Stage 10</b>	Reasonable	-	3	2	1	1	2
13	<b>Street Furniture</b>	Service and Systems - Other	5	<b>Stage 10</b>	Strong	-	1	-	-	-	
14	<b>Pensions (NEW)</b>	10	<b>Stage 10</b>	Strong	1	1	4	1	1	1	
15	Chipside (Parking IT system)	Computer	12	Stage 4							
16	<b>Multiple Parking Permits at Single Person Discount Properties</b>		3	<b>Stage 10</b>	Not applicable	-	-	-	-	-	-
17	<b>Outdoor Recreation Follow Up (NEW)</b>	Follow Up	5	<b>Stage 10</b>	Reasonable	-	3	2	4	1	3
	Contingency / In-house support		45								

No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
	Total Planned Time		230								
<b>WIDER WORK</b>											
18	IT Procurement	System review		Stage 9							
19	IT costs and budgets	Thematic Review		Stage 7							
20	<b>Employee Performance Management (NEW)</b>	Joint working project		Stage 10	Not applicable	-	5	-	-	-	-
21	<b>Data Protection in Services (NEW)</b>	Joint working project		Stage 10	Not applicable	3	3	1	-	-	-
22	<b>Contract Procedure Rules (NEW)</b>	Joint working project		Stage 10	Not applicable	-	-	-	-	-	-
23	Risk Inspections of Public Areas	Thematic Review		Stage 4							
24	<b>Ferneham Hall Drink and Food Wastage (extra)</b>	Assistance with action		Stage 10	Not applicable	12	23	3	-	-	-
25	<b>Effectiveness of Ethics Related Activities – follow up surveys (extra) (NEW)</b>	Assistance with action		Stage 10	Not applicable	-	9	-	-	-	-
26	<b>Tree Work Costs (extra)</b>	Assistance with action		Stage 10	Not applicable	-	10	-	-	-	-
27	Mobile Phone Billing (extra)	Thematic Review		Stage 4							





## APPENDIX FOUR

### Finding from the Latest Completed Audits

<b>Audit Title</b>	<b>Housing Benefits</b>	<b>Overview of Subject:</b> The Benefits section assess new benefit claims, including changes in circumstances and amendments for current claimants. Housing Benefit claims are paid fortnightly in arrears and Local Council Tax Reduction and Second Adult Rebate is applied to their Council Tax account. There are approximately 3,800 live Housing Benefit and 4,500 Council Tax reduction claims in payment with an annual value of over £20million. The service deals with approximately 80 new claims and 1,300 changes a month.
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↔ 2014/15	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (🚨)	Important (▲)	Advisory (ℙ)	Implemented	Cancelled	Not Implemented
Policies and Procedures are in place			-	-	-	-	-	-
Appropriate controls are in place over the information held, including IT access security measures			-	-	-	-	-	-
Treatment of claims is compliant with processes introduced following the vanguard review			-	-	-	-	-	-
Accurate and prompt treatment of Discretionary Housing Payment claims			-	-	-	-	-	-
Monitoring of compliance with both local and national guidelines			-	-	-	-	-	-
Claims are not delayed unnecessarily or without good cause			-	-	-	-	-	-

There were no areas of significant weakness and therefore no recommendations were made relating to the management and treatment of Housing Benefit.

<b>Audit Title</b>	<b>Employer's Pension Responsibilities</b>	<p><b>Overview of Subject:</b> The Local Government Pension Scheme is offered by local government employers and by other organisations that have chosen to participate in it. Hampshire County Council is the administering authority for contributions made by Fareham Borough Council's pension scheme members.</p> <p>Payroll Services at the Council are responsible for ensuring that eligible employees are enrolled in the scheme, that the correct deductions are made from salaries and that they are transferred across to Hampshire County Council in a timely manner.</p>
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Opinion Audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	No prev audit	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (♦*)	Important (▲)	Advisory (F)	Implemented	Cancelled	Not Implemented
Management of employees in the pension scheme			-	1	2	-	-	-
Pension contributions made			-	-	-	-	-	-
Additional voluntary contributions			-	-	-	-	-	-
Redundancies and retirement			-	-	2	-	-	-
Unfunded pension arrangements			-	-	-	-	-	-
Accounting for pensions			-	-	-	-	-	-

**Weaknesses identified during the audit and the proposed action (Essential and Important only)**

<b>Important</b>	<b>Number of Active Members-</b> A discrepancy was found between HCC records and FBC's in terms of active members as at 31/12/17. Confirmation was needed via the year end return that the starters in February and March accounted for the discrepancy. This confirmation has been received.
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<b>Audit Title</b>	<b>Accounts Receivable</b>	<p><b>Overview of Subject:</b> This audit covers the procedures the Council uses when collecting income due to it by sending out debtor accounts. It excludes major income sources such as council tax and housing rents and covers a wide range of other income sources such as trade waste, property leases and Community Infrastructure Levy.</p> <p>Approximately 5500 accounts had been raised over 9 months in the year totalling £9.2m. These then need to be tracked and recovery processes instigated if they are not paid.</p>
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↑2014/15	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (🚨)	Important (▲)	Advisory (ℹ️)	Implemented	Cancelled	Not Implemented
Debt Recovery Policy			-	-	-	-	-	-
Collection of Debts			-	-	-	-	-	-
Write Offs & Tracing of High Value Write Offs			-	1	1	-	-	-
Invoice Creation & Request Forms			-	-	-	-	-	1
Credit Notes			-	-	-	-	-	-
System Access			-	-	-	-	-	-
Refunds			-	-	-	-	-	-
Reconciliations			-	-	-	-	-	-
All Pay Cards			-	-	-	-	-	-
Analytical Review of Debt			-	-	1	-	-	-
Instalment Arrangements			-	-	-	-	-	-
On Hold Accounts			-	-	-	1	-	-

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	<b>Write Offs</b> – Testing found that there were a large number of invoices marked with the write off dispute code compared with the number of debts awaiting write off authorisation on the 2017/18 spreadsheet. The managers have confirmed that these debts should have been entered onto the spreadsheet and a number of actions will be taken to tighten up the process, including reintroducing quarterly reconciliations.
<b>Previous Important</b>	<b>Invoice Request Form</b> – A previous audit recommended 3 changes to the invoice creation form in order to improve guidance to staff with a view to ensuring the information contained within the form was complete. Testing confirmed two of the three changes had taken place. However, the form does not clearly state that the "Period of Charge" field is mandatory unless covered in the invoice narrative field. Changes are to be made to the form to address this.

<b>Audit Title</b>	<b>Income Collection and Banking</b>	<b>Overview of Subject:</b> There are a number of income collection channels used by the council which include postal income, payments at the cash office, automated telephone payments, assisted telephone payments (moto), internet payments and direct to bank payments. The income collection is recorded using the AXIS system which has an integrated set of modules, including AIM (Income Management) and ACR (Counter Receipting) and balanced to the accounting system by use of an intermediary Collection and Deposit (C&D) book.
<b>Year of Audit</b>	<b>2014/15</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↓2013/14	

Areas of Scope	Adequacy and Effectiveness of Controls		New recommendations raised			Previous Rec Implementation (E and I only)		
			Essential (●)	Important (▲)	Advisory (Ⓜ)	Implemented	Cancelled	Not Implemented
<b>Work for Assurance Opinion</b>								
Cash Office & Capita Collections			-	-	-	-	-	-
Cash Office Cash up and Security of Takings			-	-	-	-	-	-
Cash Office Transfer to Bank			-	-	-	-	-	-
Maintenance of the C & D Book			-	-	-	-	-	-
Bank and Giro Accounts Reconciliations			-	-	1	-	-	-
<b>Cyclical Coverage</b>								
Unidentified Cash Receipts			-	-	-	-	-	-
Collection from Vending & Phone Cash Boxes			-	2	-	-	-	-
<b>Specific Tests requested by In-house Team</b>								
Audit Trail from Till to Bank Statement			-	-	-	-	-	-
Building Control Duplicate Processing of Cheque Payments			-	1	-	-	-	-
Analysis of Negative Transactions on ACR			-	-	-	-	-	-
Follow up of Action – Payment Card Industry (PCI) Compliance			-	-	-	-	-	1

**Weaknesses identified during the audit and the proposed action (Essential and Important only)**

<b>Important</b>	<b>Building Control Income</b> - Issues had been reported of problems with the cheque payments being handled in the Building Control
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<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
	<p>service which were resulting in duplicate entries appearing in the records which had to be corrected in the AIM system. Testing of 6 bankings also found that the bankings for one day were not reconciled and did not agree to the building control records. This was found to relate to a problem using the EasyMobile system during the reconciliation period which had also led to the service not taking payments over the phone during the period.</p> <p>A working group was therefore set up in 2016 which considered the process and a number of changes were agreed which would help achieve a sound audit trail and reconciliation whilst maintaining the ability to take payments over the phone throughout the working day.</p>
<b>Important</b>	<p><b>Reception Payphone</b> – It was noted that the income collected from the Council’s Payphone amounted to £38.80 since 2006 yet the line rental was £28.90 per month. It was therefore agreed that the Payphone should be removed and the line rental cancelled.</p>
<b>Important</b>	<p><b>Vending Machine Income</b> – It was noted that although cash taken from vending machines is being placed in a secure sealed bag before it is transferred to the cash office, only one person emptied the machines and there is no reconciliation to the number of vends for the period to highlight any missing income. This amounted to about £300-£400 every 6 weeks. Discussions were held as to the proportionality of carrying out reconciliations compared to the risk of cash going missing. It has therefore been agreed that a compensating control would be used involving the Finance Business Partner carrying out an annual reconciliation of whether the income collected is covering the cost of stocking the vending machines. Also since the audit was carried out a second person is now used to witness the income collection at the depot.</p>
<b>Previous Important</b>	<p><b>PCI Compliance</b> – Although work had been carried out to identify the key things that the Council needed to do to comply with the payment card industry data security standard, there was still a list of actions that needed implementing. This is being followed up in the 2017/18 audit.</p>

<b>Audit Title</b>	<b>Income Management</b>	<b>Overview of Subject:</b> There are a number of income collection channels used by the council which include postal income, payments at the cash office, automated telephone payments, assisted telephone payments (moto), internet payments and direct to bank payments. The income collection is recorded using the AXIS system which has an integrated set of modules, including AIM (Income Management) and ACR (Counter Receipting) and balanced to the accounting system by use of an intermediary Collection and Deposit (C&D) book.
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Opinion Audit	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔ (2014/15)	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (🚨)	Important (▲)	Advisory (P)	Implemented	Cancelled	Not Implemented
Income Collection			-	-	-	-	-	-
Building Control Income			-	1	-	-	-	-
Cash Up and Security of Takings			-	-	-	-	-	-
Cash Office Transfer to Bank			-	-	-	-	-	-
Cash Office Takings are Banked Intact			-	-	1	-	-	-
Maintenance of the C & D Book			-	-	-	-	-	-
Analytical Review of Payment Types			-	1	-	-	-	-
Aim Exceptions			-	-	-	-	-	-
Suspense Account Clearance			-	-	-	-	-	-
PCI Compliance (previous recommendation)			-	-	-	3	-	2

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	<b>Management Information on Payment Channels-</b> It was not possible to obtain a full picture of what methods of payments customers are choosing to use, which would be useful to chart the impact of any changes in the way that services are provided. The Operational Finance team will work with the systems team to develop information on the number and value of payments that customers are making by the various payment channels.
<b>Important</b>	<b>Evidence of Cash Office Receipt of BCP Income-</b> Generally the change of process used by the Building Control Partnership to collect income has been an improvement and all records were found to adequately reconcile. However, testing of 6 days takings noted one incident where the service had not obtained a stamp to confirm that the takings that day were transferred to the cash office. BCP Officers will be made aware that a copy of the cash office stamped reconciliation should be scanned into the BCP reconciliation evidence files.
<b>Previous Important (2)</b>	<b>PCI Compliance-</b> Good progress was found to have been made on addressing the main issues identified to improve our compliance with the Payment Card Industry Standards. Two issues are still outstanding: a) Looking for a cost-effective solution to encrypting information held on the Chip and Pin devices b) A business continuity plan is to be drawn up of actions to be taken if a compromise of card holder data is found or detected.

<b>Audit Title</b>	<b>Leisure Contracts</b>	<b>Overview of Subject:</b> Fareham Leisure Centre (FLC) has been operated by Everyone Active/Sports & Leisure Management (SLM) since 2005.  The original contract between SLM and the Authority was extended in 2013 and further varied in 2015 to include the new Holly Hill Leisure Centre (HHLC).  The Authority receives an operational management fee for each centre as detailed within the contract. The contract currently runs until 2020.
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Opinion Audit	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔2013/14	

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation		
			Essential (⚡)	Important (▲)	Advisory (P)	Implemented	Cancelled	Not Implemented
Signed Contract			-	-	-	-	-	-
Performance Monitoring			-	-	1	-	-	-
Contractor Meetings			-	1	-	-	-	-
Repairs and Maintenance			-	-	-	-	-	-
Budget Monitoring			-	-	-	-	-	-
Pricing			-	-	1	-	-	-
Management Resourcing			-	-	-	-	-	-
Holly Hill Defects			-	-	-	-	-	-
Management Fee			1	-	-	-	-	-
Payments to SLM			-	-	-	-	-	-
Repairs and Maintenance Costs			-	-	-	-	-	-

**Weaknesses identified during the audit and the proposed action (Essential and Important only)**

<b>Essential</b>	<b>Additional Operational Payment</b> – Testing found that the contract provided for additional operational payments to be made to the Council if profit levels reach certain thresholds; but there was no process in place to ascertain if these payments were due. Operational profit figures are currently being requested from SLM for the past 4 financial years.
<b>Important</b>	<b>Meeting Minutes-</b> Meetings are held with the contractor on a monthly basis, but minutes are not taken. Records of action points will now be introduced.

<b>Audit Title</b>	<b>Outdoor Recreation Follow Up</b>	<p><b>Overview of Subject:</b> This report covers the follow up of recommendations previously made in relation to Outdoor Sport and Recreation.</p> <p>The wider review was previously carried out in 2016/17 when the service was given an audit opinion of Limited Assurance in relation to the risk areas tested at that time, and 9 recommendations were made, for which 8 actions were agreed.</p> <p>It is the internal audit policy that all services given opinions of 'Limited' or 'None' are followed up in the next year.</p>
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Follow Up	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↑2016/17	

<b>Summary of Implementation of Previous Recommendations</b>				
<b>Status</b>	<b>Essential (◆*)</b>	<b>Important (▲)</b>	<b>Unspecified</b>	<b>TOTAL</b>
Fully Complete	1	3	-	4
No Longer Needed	-	-	-	-
Nearly Complete	-	-	-	-
In Progress	-	4	-	4
Not Started	-	-	-	-
Risk Accepted	-	-	-	-
Not Yet Due	-	-	-	-
No Longer Tracked / Not tested	-	-	-	-
<b>TOTAL</b>	<b>1</b>	<b>7</b>	<b>0</b>	<b>8</b>

Overall, we found that a number of improvements had been made and controls had been strengthened. However, issues were again found in testing such that at least £860 of income is believed to not have been collected and 2 new recommendations were made.

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	<b>Refund / Credit Note / Charity Matches Policies-</b> A credit note / refund policy needs to be drawn up and disseminated to the relevant staff and clubs. A policy on the payment for charity matches needs to be decided and published.

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	<b>Refund / Credit Note Authorisation-</b> A process should be in place for the independent authorisation of refunds and credit notes.
<b>Important</b>	<b>Updating Procedure Notes-</b> The following processes needed to be added to the procedure notes: The requirement for sending finance a list of clubs before the start of each season to conduct creditor checks. The requirement for an independent review of the invoices prior to the invoices being issued.
<b>Previous Important</b>	<b>Records of Verbal information relating to bookings and cancellations:</b> Evidence to support bookings and cancellations received by phone should be retained. In addition, evidence should be kept supporting the issuing of refunds / credit notes.
<b>Previous Important</b>	<b>Checking the Clarity and Accuracy of Invoices:</b> Testing found that only 4 out of 12 (33%) football and 2 out of 4 (50%) cricket invoices and credit notes raised were correct to the booking sheets and source information, which indicates that effective verification checks are not being carried out.
<b>Previous Important</b>	<b>Debtor Checks:</b> A list of clubs was not sent to finance officers to check for the clubs which owe money prior to the start of the season. Of the 14 clubs listed, 3 were found to have been allowed to book pitches, even though they owed the council income for previous bookings and for another club, no invoice had been raised even though pitches had been booked

<b>Audit Title</b>	<b>Employee Performance Management</b>	<p><b>Overview of Subject:</b> The effective management of employees forms part of the Council's Governance Framework under the role of the Head of Paid Service. In 2013/14 the Council changed its approach to Individual Performance Management (IPM) aiming to strengthen the way in which employees and supervisors give and receive honest feedback.</p> <p>In the Annual Governance Statement for 2014/15, an action was identified to '<i>review the progress and impact of the individual performance initiative</i>'. A joint review by Human Resources and Internal Audit has therefore been carried out as part of the 2017/18 audit plan.</p> <p>The review found the feedback was generally positive. The findings were discussed with the Head of Paid Service and some actions were agreed to strengthen the current process further.</p>
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Joint working project – Corporate system	
<b>Assurance Opinion Given</b>	N/A	
<b>Direction of Travel</b>	N/A	

**Proposed actions to further strengthen the current process.**

<b>Important</b>	<p><b>IPM Process</b> – To set some clear minimum standards and promote the process to all staff.</p> <p>The addition of minimum standards will help to promote consistency of application of the process and help to ensure all employees receive an IPM review. The corporate launching of the revised process will help to ensure everyone's understanding and expectations of the process.</p>
<b>Important</b>	<p><b>Training of Managers</b> - To undertake a training program to develop all managers' understanding of and the benefits of the IPM process, starting with the middle level managers (under Heads of Service).</p> <p>A developed management will help to promote an encouraged and developed work force that will maximise performance.</p>
<b>Important</b>	<p><b>Training of Employees</b> – To relaunch/promote the use of the Skillgate eLearning system.</p> <p>Some corporate or personal training needs may be able to be addressed using programs available on the free inhouse system.</p>
<b>Important</b>	<p><b>Training Budgets</b> – To explain the existence and use of the corporate training budget.</p> <p>Managers should be aware that if training needs cannot be met through the use of Skillgate there is a corporate training budget available which can be accessed through Human Resources</p>
<b>Important</b>	<p><b>E- Bulletin</b> - To promote the use and benefits of reading the E-bulletin to all employees.</p> <p>The E-bulletin is the Council's means of disseminating the corporate direction to all employees.</p>

<b>Audit Title</b>	<b>Data Protection in Services</b>	<b>Overview of Subject:</b> An internal review of the Corporate Data Protection arrangements was completed in 2013/14 and 2014/15 and a number of recommendations were made. One of these was to use a collaborative approach using Democratic Services and Audit Services to work with one or more manager a year to cover aspects of information management at the service level. These are generally reviewed by way of collaborative discussion amongst the working group. This is then supplemented by some audit testing. This report is the second review of this series and covers the Council Tax service.
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Wider work	
<b>Assurance Opinion Given</b>	N/A	
<b>Direction of Travel</b>	N/A	

The actions below are attributable to the Council Tax Team. However, the audit also collated a number of recommendations that need to be addressed corporately.

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (✳)	Important (▲)	Advisory (ℙ)	Implemented	Cancelled	Not Implemented
Team Awareness			-	-	-	-	-	-
Data Collection			-	-	-	-	-	-
Data Accuracy			-	-	-	-	-	-
Data Sharing			-	-	-	-	-	-
Data Security			3	1	-	-	-	-
Data Retention and Disposal			-	2	1	-	-	-

#### Weaknesses identified during the audit and the proposed action (Essential and Important only)

<b>Essential (3)</b>	<p><b>Sensitive documents left out at end of day:</b> An after-work scan of the service work area identified a number of sensitive documents which had not been locked away at the end of the day. Actions have therefore been taken by the service to now:</p> <ul style="list-style-type: none"> <li>Put Work flow trays in a cupboard and lock it at the end of each day.</li> <li>Require staff to place any papers in their desk drawers and lock them at the end of the evening and put the keys in a lockable key cabinet.</li> <li>Require staff to scan in sensitive documents themselves and ensure they are destroyed when done, rather than leaving them in a scanning</li> </ul>
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<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
	tray.
<b>Important</b>	<b>Visibility of Reception Screens:</b> Currently data on the screens used in the ground floor reception area can be viewed by some customers and people stood outside the windows. The service is therefore looking to purchasing and fitting security screens to the computer screens used in the ground floor reception area.
<b>Important</b>	<b>Information in insecure area:</b> One officer's open T Drive folder was being used to store extracts and information for producing FOI responses. It is suggested that a purpose made folder on the HUB with limited access rights is created for this. There were also a large number of old files on the Corporate Filing System which need reviewing and deleting or moving.
<b>Important</b>	<b>Use of Shredders:</b> A cost benefit analysis is currently being undertaken comparing the current disposal methods of confidential waste bins against purchasing robust office shredders.

<b>Audit Title</b>	<b>Effectiveness of Ethics Related Activities – Follow Up surveys</b>	<p><b>Overview of Subject:</b> Ethics relate to values and behaviours such as selflessness, openness, honesty and accountability that are exhibited in the way that officers and members of the Council operate.</p> <p>An anonymous survey of employee’s perceptions of ethical behaviour was carried out in Spring 2016. This resulted in Managers asking for further work to be carried out to gain more understanding of what concerns lay behind some of the results. This further work was completed in 2017/18 and consisted of two areas of focus:</p> <p><u>Whistleblowing arrangements</u></p> <p>8 focus groups were held to explore employees’ thoughts on:</p> <ul style="list-style-type: none"> <li>• their awareness of our whistleblowing procedures</li> <li>• the level of confidence they had in raising concerns</li> <li>• ways to improve the arrangements.</li> </ul> <p><u>Employee Perception Survey</u></p> <p>170 randomly selected employees were invited to complete an anonymous survey; 100 responses were received. This covered questions relating to:</p> <ul style="list-style-type: none"> <li>• Honesty</li> <li>• Transparency and Openness</li> <li>• Financial Stewardship</li> </ul>
<b>Year of Audit</b>	<b>2017/18</b>	
<b>Type of Work</b>	Wider work – assisting with actions	
<b>Assurance Opinion Given</b>	N/A	
<b>Direction of Travel</b>	N/A	

<b>Corporate Actions agreed as a consequence of the Audit (Essential and Important only)</b>	
<b>Important x2</b>	<b>Whistleblowing:</b> Whistleblowing policy to be rebranded as the “Raise a Concern” Policy and relaunched with feedback on the results of this work
<b>Important</b>	<b>Whistleblowing:</b> The on-line reporting form to be moved to an external host so that it is completely anonymous.
<b>Important</b>	<b>Whistleblowing:</b> Slides on whistleblowing to be included in the Skillgate induction module for new employees
<b>Important</b>	<b>Whistleblowing:</b> Managers training to include how to handle concerns brought to their attention and provide appropriate feedback on the action taken as a consequence.
<b>Important</b>	<b>Honesty:</b> A revised gifts/ hospitality /interests policy for employees to be launched once the new register process is in place.
<b>Important</b>	<b>Honesty:</b> Online training to be developed for employees to improve their understanding of what needs to be registered.

<b>Corporate Actions agreed as a consequence of the Audit (Essential and Important only)</b>	
<b>Important</b>	<b>Financial Stewardship:</b> The results of the Financial Stewardship questions to be used to support the roll out of the new Procurement and Contract Procedure Rules.
<b>Important</b>	<b>Transparency and Openness:</b> Further focus groups to be organised to explore the themes of communicating change and information sharing between departments.

<b>Audit Title</b>	<b>Contract Deeds Management</b>	<p><b>Overview of Subject:</b> The Authority's Contract Procedure Rules were last updated in October 2012 with limited roll out to services. The Rules included that a Contracts Register and storage of documents would be managed centrally and electronic copies would be managed within the service areas.</p> <p>Since that date key officers have left the council. A review was therefore planned as part of the 2015/16 Audit Plan (finished in 2017/18) to verify that the council still had adequate records of what contracts and agreements that it has entered into, that documents are held securely, and to establish that the original signed and electronic copy can be easily located when required.</p>
<b>Year of Audit</b>	<b>2015/16</b>	
<b>Type of Work</b>	Wider work – thematic review	
<b>Assurance Opinion Given</b>	N/A	
<b>Direction of Travel</b>	N/A	

<b>Proposed actions to strengthen the current process.</b>	
<b>Essential</b>	<b>Corporate Direction –</b> As some areas of non-compliance with the current rules were found, corporate clarification was sought as to what the expectations was for managers in respect of their management of contract documents.
<b>Important</b>	<b>Ownership of the Central Register -</b> The Central Register for Deeds, contracts and agreements is currently maintained in the Estates Section and is held in spreadsheet form. It is considered that it would be more appropriate for the register to be managed by Legal Services as they have direct involvement with drawing up contracts. They are to redesign it to provide a clearer record including mapping documents to the relevant Service.
<b>Important</b>	<b>Heads of Service Briefings –</b> Meetings carried out during the audit with Heads of Services identified that clearer explanation regarding their responsibilities in respect of contracts and agreements managed by them was required. For example, during testing it was noted that 9/40 contracts/agreements were not recorded on the central register. Services also need to develop local electronic document libraries.
<b>Important</b>	<b>Agreements Exempt from Contract Procedure Rules -</b> Some services lead on specific agreements such as Tenancy agreements and Employee contracts which need to be referred to regularly so it is appropriate that are some exemptions in the Contract Procedure Rules
<b>Important</b>	<b>Location of Contracts:</b> There were a number of original contracts that could not be located during the audit. The Services have been requested to search for these documents and get them put into the Central Storage area.

**Reference Tables**

**1. Scale of Assurance Opinions**

<b>Strong</b>	There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system.
<b>Reasonable</b>	There is basically a sound system of internal control but weaknesses were found in system design or compliance, which result in some risk to the achievement of the system objectives.
<b>Limited</b>	There are some weaknesses in the system of control designed or the level of compliance which result in significant risk to the achievement of the system objectives.
<b>Minimal</b>	Fundamental weaknesses have been identified such that many key controls are absent or not operating effectively which may put at risk the achievement of the corporate control objectives.

**2. Scale of Recommendation Priorities**

<b>Essential</b>	A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the A&G Committee and implementation of proposed actions are monitored.
<b>Important</b>	A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the A&G Committee and implementation of proposed actions are monitored.
<b>Advisory</b>	A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. Actions are not tracked.

**3. Stages of An Audit Assignment**

<b>Stage 1</b>	The Audit teams have started drawing up the scope of coverage for the assignment.
<b>Stage 2</b>	A scoping meeting has been held with the Sponsor in the client service.
<b>Stage 3</b>	The Terms of Reference for the Assignment have been finalised.
<b>Stage 4</b>	The Auditor has started to deliver the agreed scope of work.
<b>Stage 5</b>	The work completed by the Auditor is being reviewed by their manager.
<b>Stage 6</b>	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
<b>Stage 7</b>	Any additional testing identified has been completed.
<b>Stage 8</b>	The draft report has been received by the in-house audit team.
<b>Stage 9</b>	The draft report has been issued to the Service Sponsor and is awaiting their response.
<b>Stage 10</b>	The final report has been issued.