

Cotswold District Council

Report of Internal Audit Activity

October 2020

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At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- No
- Limited
- Reasonable
- Substantial



Audit Framework Definitions

Control Assurance Definitions

No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Non-Opinion – In addition to our opinion based work we will provide consultancy services. The “advice” offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance. Consultancy services from Internal Audit offer management the added benefit of being delivered by people with a good understanding of the overall risk, control and governance concerns and priorities of the organisation.

Recommendations are prioritised from 1 to 3 on how important they are to the service/area audited. These are not necessarily how important they are to the organisation at a corporate level.

Each audit covers key risks. For each audit a risk assessment is undertaken whereby with management risks for the review are assessed at the Corporate inherent level (the risk of exposure with no controls in place) and then once the audit is complete the Auditors assessment of the risk exposure at Corporate level after the control environment has been tested. All assessments are made against the risk appetite agreed by the SWAP Management Board.

● Audit Framework Definitions

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

	Categorisation of Recommendations
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management
Priority 3	Finding that requires attention.

Definitions of Risk

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
2019/20 Audits in Draft / In Progress at Annual Opinion									
Key Financial Control	Accounts Receivable		Final Report	Reasonable					See Appendix C
Follow-Up	S106 Agreements and Funds		Draft Report						
Follow-Up	Procurement		Final Report						See Appendix C
Follow-Up	Procurement and Contract Management		Final Report						See Appendix C
Operational	Asset Management and Commercial / Investment Property		Draft Report						
Advisory	Use of Volunteers		Final Report	N/A					See Appendix C
Advisory	Grants		Final Report	N/A					
ICT	Business Continuity		Draft Report						
ICT	Incident Management		Draft Report						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						Priority			
						1	2	3	
2020/21 Audit Plan									
Operational	Business Grant Funding		Complete	N/A					Support to the Council in respect of Data Input
Advisory	Leisure Funding		Complete	N/A					Support to the Council in respect of the Leisure Funding request by the Service Provider
Advisory	CFU Policies		Complete	N/A					Reviewing policies held by CFU and advising of changes to legislation
Operational	Continuous Assurance Reports		On-Going						Accounts Payable, Accounts Receivable
Key Financial Control	Revenues and Benefits								
	• Council Tax and National Non-Domestic Rates		In Progress						
	• Housing and Council Tax Benefits		In Progress						
Key Financial Control	Core Financials								
	• Accounts Payable		In Progress						
	• Accounts Receivable								
	• Main Accounting								
	• Payroll		In Progress						

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
	• Treasury Management and Bank Reconciliation								
Key Financial Control	Systems Administration		In Progress						
Key Financial Control	Human Resources								
Key Financial Control	Other Support Service provided by Publica • Health and Safety (Of Staff)								
ICT	Cyber Security		Draft Report						
ICT	Use of Anti-Malware Software								
ICT	Automatic Back-Up of System Data								
Governance	Risk Management								
Governance	Performance Management								
Governance	Governance of Programmes and Projects		In Progress						
Operational	Post Payment Assurance – Small Business Grants								
Operational	Authority's Response to Covid-19								
Operational	Publica Transformation Benefits Realisation								
Operational	The Delivery of Services by Publica								

Audit Plan Progress

APPENDIX B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
Operational	Inclusivity and Diversity								
Operational	Publica Support Costs Recharge Process & Internal Control Process for Contract Variations		ToE Drafted						
Advisory	Implementation of the New Revenues and Benefits System		In Progress						
Follow-Up	Follow-Ups of Recommendations made in Substantial and Reasonable Audits		On Going						
Follow-Up	Follow-Up of Control Weaknesses identified by the Counter Fraud Unit								
Follow-Up	Procurement								Further Follow-Up required
Follow-Up	Procurement and Contract Management								Further Follow-Up required
Grant Certification	Disabled Facilities Grants		Complete	N/A					
Grant Certification	Income Compensation Scheme								
Other Audit Involvement	Working with the Counter Fraud Unit		On Going						
Other Audit Involvement	Management of the IA Function and Client Support		On Going						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
Other Audit Involvement	Contingency – Provision for New Work based on emerging risks								

**Audit Assignments
finalised since the
last Audit
Committee:**

- Summary of Audit Findings and High Priority Service Findings

The following information provides a brief summary of each audit review finalised since the last Committee update.

2019/20 – Use of Volunteers – Advisory**Background**

Volunteering can offer a lot of benefits to both the individual and the local community. It can help people to meet new friends, gain new or enhance existing skills and get experience in different roles. There are many ways to volunteer, with many national and local volunteering forums and groups taking on volunteers to fulfil a wide variety of activities – from one-off community events to making a regular commitment to volunteer for a charity or local group. Volunteering is also common in local government due to the strong connection between Councils and the community.

Audit Conclusion / Findings

Cotswold District Council (CDC) does not directly ‘employ’ or take on volunteers, but signpost to local volunteering groups and forums should local residents wish to volunteer in their area. Information on these groups is included on the Council’s website for residents to access.

Information obtained from the websites of other District and Borough Councils shows that arrangements to signpost potential volunteers to external charities or volunteer bodies is common, with only two of the Councils directly taking on their own volunteers. Where volunteers are taken on directly by the Councils, there is evidence of Volunteering Policies in place.

Communities are included within the priorities of CDC. There could be opportunities in volunteering to further enhance the relationship between the Council and the community, such as recognising all volunteering in the Districts similar to what Ashfield District Council have done previously. Such an activity would not require the Councils to take on their own volunteers but would allow them to celebrate the work of volunteers in the community.

Secondly, based on the circumstances reported around COVID-19 and also the possibility that external volunteers are delivering work on behalf of the Council within projects, consideration should be given to the creation of a policy or documented guidelines for volunteers. These guidelines should set out the Council’s responsibilities and liabilities in relation to current arrangements for volunteers, and the requirements and expectations of external groups/charities when carrying out work on behalf of the Council, or

on Council premises.

2019/20 – Accounts Receivable – Reasonable Assurance

Background

The Accounts Receivable audit is undertaken over a 3-year audit cycle whereby key controls are reviewed each year, and specific processes covered once during the 3 years. This year's focus is on the creation, production, and despatch of subscription invoices. Subscriptions can be set up so that invoices are generated on an annual, quarterly, or monthly basis. Generally, subscriptions are set up for income collection related to but not limited to licensing services, lease/rent arrangements, waste/refuse collections and Lifeline charges.

The AR Team is responsible for setting up all subscriptions within Business World (BW).

During our test period, October 2018 – September 2019, a total of 21,582 subscription invoices were generated across G1, G2, G3 and G4 clients of which 2,032 were raised for Cotswold DC.

Audit Conclusion / Findings

Key control testing, which included reconciliation of the debtors control account, periodic review and action of aged debt and debt write off processes, was undertaken and found to be effectively controlled.

Testing undertaken on processes relating to the production of subscription invoices identified that, in the main controls were satisfactory, however there was a lack of evidence to support the subscription being set up on several debtor accounts. This was reported to AR (Accounts Receivable) when initial testing was undertaken in November 2019. We re-visited these accounts in late April 2020 and can confirm that supporting evidence was uploaded to the debtor account, but this was not the case for all in our test sample. If evidence is not available, in the event of challenge, AR may not be able to justify raising the debt. We were advised that AR can refer to the service area for supporting evidence if necessary.

Our testing to identify if any duplicate subscriptions existed found some duplicate subscriptions had been set up due to the service area providing AR with information that was subject to interpretation. Whilst we accept this is outside of AR control, it is equally important that AR seek clarification to ensure the debtor database is adequately maintained. It would therefore be helpful if AR provide service areas with updated guidance. As part of providing continuous assurance, we have agreed to review potential duplicate subscriptions.

Other anomalies required further investigation by AR, and although explanation was provided, a lack of using the notes facility within the BW system meant that an audit trail was not available. To provide service resilience we have recommended that this facility be used by all members of the AR team.

We can confirm that the 2 recommendations made in last year's review are being implemented. We would add that all procedure notes/guidance includes version control to ensure guidance remains current.

Priority	Recommendation	Management Response	Due Date
2	Duplicate subscriptions should be reviewed, and appropriate corrections made. Any duplicate payments should be returned to the debtor.	All subscriptions will be corrected where applicable. Will discuss with team to ensure that prior to setting up new subscriptions a search for existing subscriptions is performed. If any queries arise the AR officer will refer to the service area for clarification. Responsible Officer – AR Team Leader	31/08/2020

Procurement and Contract Management – Follow-Up

Audit Conclusion / Findings

Progress has been made towards the implementation of two of the four recommendations made in the initial Procurement & Contract Management audit. These recommendations were focussed on promoting awareness of contract management requirements with contract owners and service managers and assisting in training and development of the skills needed to effectively monitor and manage contracts. To be delivered successfully, the implementation of these actions must be promoted and supported by senior management.

The initial action intended by the Group Manager – Business Support Services is to arrange for a reminder of the need for contract management activities to be included within the 'Keeping You Connected' publication which is available to all staff across Publica.

At the time of audit, training in respect of contract management was due to be delivered by the end of 2020. Due to the pandemic this may be delayed but will be followed up.

The two recommendations that remain to be progressed are linked and relate to the update of the Procurement and Contract Management Strategy (2015). The update of the strategy in full is dependent on the Government issuing notification on the changes

to Procurement legislation and practice post-Brexit, and also the decision to be made by Forest of Dean District Council on possible amendments to procurement thresholds.

The Senior Procurement Business Partner has therefore agreed to conduct an interim review of the strategy to ensure it is still relevant and up to date.

Consideration will also be given to the inclusion of whistleblowing information in the strategy at this stage, which would satisfy the requirements of the final recommendation outstanding.

Procurement – Follow-Up

Audit Conclusion / Findings

Good progress has been made towards the improvement of record keeping, to allow for more efficient management of information – contracts registers are available on the Council website and is updated in a timely manner and a central record of waivers is now maintained by the Procurement Team. The format of the contracts register has been revised to be more transparent and now includes both the annual value and total contract value. A review of the format highlighted that a small amendment was needed to continue compliance with the Local Government Transparency Code 2015, which was brought to the attention of the Senior Procurement Business Partner and will be actioned promptly.

Following the implementation of the In-Tend Contracts Module in October 2019, work is ongoing to ensure that all contracts are added to the system. All new contracts from the implementation date have been added, with the aim of all existing contracts being added as soon as is practicable. Whilst contracts are being monitored by the Procurement Team using two different methods, the likelihood of operational risk is slightly heightened in this area – but does not affect the overall risk level assessed in the initial audit.

Officers were reminded of the need to inform the Procurement Team of spend over £5000 to ensure the Council can meet transparency requirements. At the time of the audit it had not been decided if CDC would change its approach to procurement thresholds and therefore training has not yet been delivered to officers.

Reassurance has been given that the three actions that have not yet been started will be progressed, and further follow-up of any outstanding recommendations will commence again from December 2020.

Furthermore, the Publica Group Finance Director advised that a Strategic Action relating to Procurement has been included within the 2020-2022 Publica Business Plan, as follows: “We will create an environment, supported by robust and effective processes,

where we look to maximise the potential value of all procurement opportunities by fully understanding the local supplier base / economy, utilising economies of scale and adopting innovative routes to market.”

We were advised that it is possible that this action may include a fundamental review of the Procurement Service and therefore will support opportunity for improvement and further development of a robust service going forward.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Section 106 Agreements and Funds	2	To ensure the Council can be held to account in managing the delivery of S106 obligations, the progress of S106 Agreements should be regularly reported at an appropriate Committee and on the Council's website.	Once the Government has produced the data specification and collection tools, these will be used to produce reports for Members and published on the Council's website. There is currently no known date for the publication of these tools, therefore a prolonged timescale has been proposed to implement this action.	31/03/20	<p>Officers responsible for agreeing, recording and monitoring S106 at FoDDC, CDC & WODC met 23/09/19 to discuss strategies for aligning best practice across the partner councils.</p> <p>Implementation of this recommendation is progressing and will continue to be monitored by IA</p> <p>This needs to be followed up, it is likely that Covid-19 has delayed the implementation of this recommendation</p>
Risk Management	2	The Council should gain assurance from Publica that service area risks are reviewed and documented on a quarterly basis as per the requirements of the Risk Management Policy	A recurring item will be added to CLT agenda on a quarterly basis asking that Publica colleagues confirm and evidence service risks are being managed in line with the requirements of the Risk Management Policy.	31/12/19	<p>Will be included in the annual audit</p> <p>Revised implementation date 31/12/20 due to Covid-19</p>


High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Systems Administration	2	We recommend a principal Identity and Access Management process detailing requirements for 'Joiners, Movers and Leavers' is developed and documented and that complies with the requirements set out in the Information Security and Access Control Policy. The overarching process should apply to and embrace all systems that may not be included within the standard ICT team scope and should be available for all employees to view and follow. System administrators should then document or update local processes and procedures that should be in alignment with the overarching policy and process requirements. And documented on a quarterly basis as per the requirements of the Risk Management Policy	Our team ICT Administrators are now updating and documenting our Access Management system process for joiners, Movers and Leavers. A change control process will be introduced that will document significant changes to the ICT infrastructure which will also align to our ICT User Policies and guidance.	31/03/20	Flowcharts have been produced for the starters / leavers / variation processes. The ICT Audit and Compliance Manager will refresh the ICT Policies following the completion of the Cyber Security audit report. He is aiming to have drafted policies by March 2020 for circulation / consultation at CGG and JMT. Further follow-up has been included in the 2020/21 audit plan Revised implementation date to 31/12/20 due to Covid-19
Procurement and Contract Management 41127	2	We recommend that assurance is sought from Publica that contracts held and managed on behalf of the Council are monitored and managed effectively.	Publica colleagues have been requested to respond to the recommendations made in the report issued. Assurance has been requested that contract management and monitoring is undertaken.	30/09/20	Implementation date changed to 31st December 2020 to reflect amended target implementation date of majority of Procurement/Procurement & Contract Management recommendations to be actioned by Publica Procurement.
Human Resources (Sickness Absence)	2	The Council's Sickness and Absence Policy should be reviewed and updated to ensure it meets the ongoing needs of the Councils retained staff.	We will review the Council policy. It will be brought in line with the new Publica policy if and when the partner Council adopts the new Publica terms and conditions.	30/11/19	Publica policy has been updated and adopted. HR Business Partner and Head of Paid Service have discussed policy for the Council. Recommendation closed

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Procurement 41181	2	A copy of the approved contract must be held on In-Tend for all contracts over £5,000, as well as the quotes used during the tendering process, to demonstrate best value and ensure there is a complete central record.	Agreed, subject to a review of the contract value requirements.	31 st December 2019	The Senior Procurement Business Partner demonstrated the Contracts Module on In-Tend during fieldwork. We were advised that all new contracts since the implementation of the Contracts Module (October 2019) have been input into In-Tend. These contracts are being managed by the Procurement Team via this system in terms of monitoring of contract expiry dates. The contract sampled for CDC followed the waiver procurement route. In this instance, a copy of the signed waiver forms was stored but there was no copy of the accompanying approved contract. . We were advised by the Senior Procurement Business Partner that it is intended that contracts that were already in place at the time that the Contracts Module was implemented will be loaded into the system in the same way as new contracts, but the speed at which this can be done is dependent on available resources to carry out the work. To assist them in managing existing and future contracts, the Procurement Team have
 SWAP <small>INTERNAL AUDIT SERVICES</small> <small>Assuring – Improving – Protecting</small>	SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.				implemented a future Work Plan for all authorities. This recommendation will require further follow-up in 2020/21.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Procurement 41029	2	Budget Holders should regularly undertake monitoring of expected contract spend to actual contract spend as part of contract monitoring, to ensure contracts are managed in accordance with strategy, and inform Procurement of any changes to contract values to ensure the values recorded on the Contract Register are correct.	Agreed	31 st December 2019	No evidence has been provided of actions carried out by responsible officers to support implementation of this recommendation at the time of follow-up. As part of the 2020/21 Audit Plan, an audit of the Management and Monitoring Contracts will be carried out. The scope of this audit will include budget monitoring arrangements in relation to contract spend and will therefore inform the follow-up of this recommendation. This recommendation will require further follow-up in 2020/21.
Procurement 41030	2	To ensure there is an audit trail to support all contract payments, the introduction of "No PO, no payment" policy should be considered to assist with the efficient monitoring of contract spend.	This will be considered	31 st December 2019	We were advised that no decision has been made yet regarding the implementation of a 'no PO, no pay' policy across the Publica Councils. Proposals will need to be submitted by Publica for consideration by Cabinet and the Leadership Team at each Council. This recommendation will require further follow-up in 2020/21.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Procurement 41257	2	To ensure there is a central record, when a waiver has been applied, this must be logged on the Waiver register once it has been implemented, for transparency purposes.	Agreed	31 st December 2019	<p>Evidence has been provided to show that a central waiver register is now in place across all authorities which is updated and maintained by the Procurement Team.</p> <p>We were advised that a copy of every waiver applied since the implementation of this central register is also held centrally by the Procurement Team, and a sample of these was provided as evidence.</p> <p>Recommendation Closed</p>

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Procurement 41002	2	All Officers should be informed during Procurement Process training of the following to ensure when applicable; <ul style="list-style-type: none"> • Procurement are consulted on all contracts over £5,000 so all approved contracts are entered onto the Contract Register, and waiver details can be accurately recorded when appropriate 	Agreed	31 st December 2019	Training has not yet been fully delivered which includes officers' responsibilities and instruction that Procurement are required to publish all spend over £5000 and therefore must have sight of all spend. Procurement approval is required for all acquisitions over £10,000 on Agresso Business World (ABW) which will help to ensure Procurement are aware of spend over £5000 and will also allow them to identify where a waiver is used so this can be appropriately recorded. This recommendation will require further follow-up in 2020/21.
Procurement 41323	2	To ensure all transactions are raised and approved appropriately and in line with the current organisational structure, all requisitioning and approval permissions should be reviewed in BWO.	Following the recent organisation changes, the approvals permissions will be reviewed to ensure they are aligned with new roles and implemented accordingly on the ABW system.	31 st December 2019	We were advised: <ul style="list-style-type: none"> • A review of ABW requisitioner and approver roles is currently in progress. • Together with the finance team, the ABW support team aim to review all clients over the coming months. • A review of roles at both Ubico and CBC are complete. Work on CDC approvers is still underway. This recommendation will require further follow-up in 2020/21.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update October 2020
Payroll	2	We recommend that all new starters are subject to a BPSS (or similar) check regardless of the role to which they are being recruited. This will ensure that consistent checks of right to work, employment history and basic criminal record checks are carried out on all employees.	A piece of work has been carried out to re-write the pre-employment check process. The HR and Recruitment Teams are also working towards the implementation of an Application Tracking System (ATS), subject to approval at Publica and the Councils, which would help to mitigate the risks identified. The ATS would not allow for progression in the recruitment and onboarding process without specific criteria being fulfilled first (e.g. obtaining references, ID checks etc).	30 th September 2020	Will be followed-up within the annual Human Resources Audit
Health and Safety – Fire Risk Assessments	2	We recommend that officers should ensure all remedial actions identified in fire risk assessments are completed using a risk-based approach.	These remedial action requirements are in progress and will be completed in accordance with the noted time scale.	30 th September 2020	Will be followed-up within the Health and Safety Audit
Safer Recruitment	2	We recommend that DBS renewal dates are regularly monitored, and checks renewed in a timely manner. All DBS check details should be recorded within ABW to aid this process, including the original DBS check date, the DBS check renewal date and the DBS check reference number.	A process has been implemented to ensure that a report showing BPSS and DBS expiry dates is produced monthly from ABW in relation to DBS/BPSS checks and any required renewals are processed accordingly.	Complete	Recommendation closed.

