

# Cotswold District Council

## Report of Internal Audit Activity

Plan Progress 2017/2018

April 2018

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## Internal Audit Plan Progress 2017/2018

Our audit activity is split between:



### Role of Internal Audit

- Governance Audit
- Operational Audit
- Key Control Audit
- IT Audit
- Other Reviews

The Internal Audit service for Cotswold District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Governance Audits
- Operational Audits
- Key Financial System Controls
- IT Audits
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Council's Management Team. The 2017/18 Audit Plan was reported to, and approved by, Audit Committee at its meeting in April 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Internal Audit Plan Progress 2017/2018

### Outturn to Date:



### Internal Audit Work

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

The schedule provided at **Appendix A** contains a list of all audits as agreed in the Annual Audit Plan 2017/18. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in **Appendix B** of this document.

As shown in **Appendix A** good progress is being made on the 2017/18 audit plan with a number of audit reviews at draft report stage. Some reviews are showing as ‘In Progress’, but again, these are progressing well, and all audits will be completed for inclusion in the Annual Audit Opinion.

As agreed with this Committee where a review has a status of ‘Final’ we will provide a summary of the work and further details to inform Members of any key issues, if any, identified.

Since the last meeting we have finalised ten audit reviews, one follow-up review and reviewed the efficiency data.

We have issued one ‘Partial’ Assurance in respect of the review for Food Safety as testing identified some significant risks to the Council. Further information on the finalised reviews can be found within **Appendix C**.

## Internal Audit Plan Progress 2017/2018

We keep our audit plans under regular review to ensure that we audit the right things at the right time.



### Approved Changes to the Audit Plan

The audit plan for 2017/18 is detailed in **Appendix A**. Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to Cotswold District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Audit Client Officer.

No changes have been made to the plan since the last meeting of this Committee

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
<b>FINAL</b>											
Governance, Fraud & Corruption	Annual Governance Statement (for year 2016/17)	Q1	Complete	Satisfactory	-						
Operational	Equalities and Diversity	Q1	Final	Reasonable	3		1	2			Reported in August
Operational	Public Health Burials	Q1	Final	Substantial	4	1		3			Reported in August
Non-Opinion	Greenhouse Gas Emissions	Q2	Complete	Non-Opinion	-						
Operational	Grant Payments to Third Parties	Q1	Final	Reasonable	2			2			Reported in November
Operational	Safeguarding	Q1	Final	Partial	8	1	1	4	2		Reported in November
Key Control	Treasury Management and Bank Reconciliations	Q2	Final	Substantial	0						Reported in November
Advice	Pool Cars (NEW)	Q2	Final	N/A	-						Reported in November
Follow Up	Council Security Follow-Up	Q2	Final	Follow-Up	-						Some recommendation still in progress. Further review required in 2018/19.

Internal Audit Work Plan

APPENDIX A

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Key Control	Other GOSS Area (Procurement / Insurance / H&S)	Q3	Final	Reasonable	2				2		Appendix C
ICT	EU General Data Protection Regulations	Q2	Final	Non-Opinion	-						Appendix C
Operational	Efficiency Measure Rankings	Q4	Complete	Non-Opinion	-						N/A
	Culture and Ethics Survey										Survey conducted by SWAP for all Partners
	Emergency Planning		Final	N/A							Survey conducted by SWAP on behalf of all Partners
Operational	Licensing	Q2	Final	Reasonable	16	1	4	9	2		See Appendix C
Operational	Food Safety	Q4	Final	Partial	8			6	1	1	See Appendix C
Key Control	Accounts Payable (Creditors)	Q3	Final	Reasonable	1				1		See Appendix C
Key Control	Council Tax Reduction Scheme	Q3	Final	Substantial	0						See Appendix C
Key Control	Council Tax	Q3	Final	Reasonable	4			3	1		See Appendix C
Key Control	NNDR	Q3	Final	Reasonable							
Operational	Capital Spend	Q4	Final	Substantial	1			1			See Appendix C

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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.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Operational	Flexible use of Capital Receipts	Q4	Final								
<b>DRAFT</b>											
Follow Up	Business Continuity Management Follow-Up	Q1	Draft								Waiting Management Response
Key Control	Payroll	Q3	Draft								
Governance, Fraud & Corruption	Risk Management	Q2	Draft								
ICT	Protection from Malicious Code	Q3	Draft								
ICT	ICT Policies	Q3	Draft								
ICT	Public Services Network Submission	Q3	Draft								
<b>IN PROGRESS</b>											
Key Control	Main Accounting, Budgetary Control and Capital Accounting	Q3	In Progress								
Key Control	Accounts Receivable (Debtors)	Q3	In Progress								
Key Control	Business World System Administration	Q3	In Progress								
Operational	Private Water Supplies	Q4	In Progress								

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
Key Control	Serious and Organised Crime Checklist	Q4	In Progress								Completed by CFU
Key Control	Serious and Organised Crime Audit	Q4	In Progress								
Key Control	Fighting Fraud and Corruption	Q4	In Progress								
Key Control	Human Resources	Q3	In Progress								Scope of review changed due to request from CFU
Governance, Fraud & Corruption	Performance Management	Q4	In progress								
Key Control	IR35	Q4	In Progress								
Governance, Fraud & Corruption	Drafting of the 2017/18 AGS		In Progress								For consideration at April 2018 Audit Committee
<b>NOT STARTED</b>											
Governance, Fraud & Corruption	Audit Committee Effectiveness (Annual)	Q4									
ICT	ICT	TBC									
Operational	Subsidy Claims	Q3									To be undertaken in 2018/19

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ↔ 5 = Major					Comments
						Recommendation					
						1	2	3	4	5	
<b>ADVICE AND CONSULTANCY</b>											
Non Opinion	2020 Vision Programme	Ongoing									
Advice	Change Programmes	Ongoing									
Advice	SLM Contract	Ongoing									
<b>OTHER INTERNAL AUDIT INVOLVEMENT</b>											
Advice	Management	Ongoing									
Follow Up	Income Streams Follow-Up	TBA									
Follow Up	2016/17 Follow Up Reviews	Ongoing									
	Contingency Days	Ongoing									
<b>DROPPED</b>											
ICT	Device Strategy										

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



Audit Framework Definitions

Control Assurance Definitions

- Substantial
- Reasonable
- Partial
- No Assurance

<b>Substantial</b>	▲ ★ ★ ★	We are able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲ ★ ★ ★	We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ ★ ★	We are able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>No Assurance</b>	▲ ★ ★ ★	We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

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.

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Recommendations are prioritised from 1 to 5 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.



**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.

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

**Definitions of Risk**

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

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.

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Summary of Audit Assignments Finalised since the last Audit Committee

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.

Health and Safety Arrangements – Reasonable Assurance

As part of the 2017-18 internal audit plan, a review was carried out to assess the Council's arrangements to ensure Publica Group Ltd (Publica) is compliant with the Health and Safety at Work Act 1974. CBC, CDC, FoDDC and WODC have collaboratively established, and joint own a limited company Publica, that provides several services on behalf of the Council. One such service is GO Shared Service (Health & Safety) (GOSS HS).

The Health and Safety at Work Act 1974 requires all employers to take reasonable steps to prevent accidents or harm occurring to their employees. It outlines a number of statutory requirements such as: hold a valid Health and Safety Policy; control risks within the organisation; provide first aid / incident arrangements; display the Health and Safety Executive poster; and hold valid employers' liability insurance. This review looked to provide assurance these statutory requirements were in place at the launch of Publica and that the Council remain compliant with its H&S obligations provided via GOSS HS.

Interviews were conducted with the GOSS HS Manager and Technician and evidence gathered from GOSS Insurance, the 2020 Programme team (the group tasked with setting up Publica) and the Council.

Health & Safety policy statements and employer's liability insurance were in place and available to Council officers. A suite of Health & Safety policies that evidence specific risks had been considered, such as Lone Working and Working at Height; we can confirm H&S polices have been approved by CDC.

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The Regulatory Reform (Fire Safety) Order 2005 requires all employers to appoint a senior officer as 'responsible person'. This officer has responsibility for ensuring, as far as reasonably practical, the safety of his/her staff, and must be made fully aware of his/her responsibilities as well as receive a letter of appointment. At the time of the audit arrangements were being made for the Head of Paid Service to hold this position.

We made 2 minor recommendations that have been agreed with Publica, which do not impact on the Council's H&S arrangements.

#### **EU General Data Protection Regulations (EUGDPR) – Non-Opinion**

As part of the 2017/18 audit plan a review has been undertaken to assess the preparedness of Publica and the Partner Councils Cotswold District Council (CDC), Forest of Dean District Council (FODDC) and West Oxfordshire

District Council (WODC) for EUGDPR.

The European General Data Protection Regulations (GDPR) was enacted in May 2016 and comes into force on the 25th of May 2018 (the GDPR 'effective date'). This has allowed organisations a period in which to ensure that their current data processing activities are compliant with the requirements of the GDPR. GDPR is the new legislation covering the processing of personal data previously covered by the Data Protection Act 1998 (DPA). GDPR is currently being incorporated into the Data Protection Bill together with the Crime Directive and incorporates the derogations the UK wishes to allow for under the GDPR.

Many of the main principles within the GDPR are the same as those in the current Data Protection Act, so if the authority is complying with current legislation this will be a good starting point to build upon when considering GDPR. However, there are some elements within the GDPR which are new or enhanced – such as accountability – that will require further work by organisations. Other key areas requiring consideration include compulsory reporting of data breaches within 72 hours of becoming aware and reduced timeframes

in which to respond to data subject access requests. The new regulations increase the rights of the individual in relation to their personal data.

If the required controls are not put in place by the GDPR effective date, there is a greater risk that the control and processing of personal data will be in contravention of the GDPR. The GDPR not only tightens the reporting requirements of data breach reporting, but also introduces a significant increase to fines, if non-compliant with the new regulations when compared with the DPA. All of this culminates in significant financial, legal and reputational risk to the Councils.

#### Purpose and Objective

The purpose of this audit is to review the arrangements that the Councils have in place to address the requirements of the GDPR, ensuring compliance by the effective date.

- Provide assurance that the Councils have an effective transition plan in place, which is being measured and reported on to ensure that the organisations will be compliant with GDPR from the 25th of May 2018.
- The Councils are working towards updating relevant policies and procedures that are compliant with GDPR, to ensure Publica is also compliant with GDPR.

This report reflects the status of the project at the time fieldwork was completed – during October/November 2017. Although the focus of this review included identification of risk and any evidence available to support controls already in place, we are unable to offer assurance on controls which are planned but not yet implemented.

#### Summary of Findings

- Preparations towards GDPR compliance are being coordinated and delivered to the Councils and Publica by the ICT Audit & Compliance Manager and the ICT Audit & Compliance Officer, with oversight from the ICT, Change & Customer Services Group Manager. The work is not structured into a formal project format, but utilises a detailed action plan which has been drafted by officers using the

Information Commissioner's Office (ICO) 'Preparing for the General Data Protection Regulations (GDPR): 12 Steps to Take Now' guidance document. Alongside this action plan there is a documented timeline to ensure that all specified work is completed by the 25th of May 2018.

- The possible impact to the Council is based on current information that fines for non-compliance with GDPR could reach €20 million. Evidence has been provided to confirm that the ICO's '12 Steps' guidance has been followed and controls have been introduced in many areas, such as the action plan and timeline described above. At the time of audit fieldwork (October/November 2017), data audits were in progress. The next step will be the analysis of data audit results, which will shape the rest of the work required to ensure the Councils and Publica are compliant with GDPR by the required date.

The Councils have made a successful start to the implementation of the requirements of the GDPR. A comprehensive action plan and timeline has been developed which, if followed, should allow the Councils and Publica to be compliant with the GDPR by the required date.

An observation has been made in relation to reporting arrangements which, if actioned, will help to strengthen governance arrangements of the GDPR work.

#### Licensing – Reasonable Assurance

Licensing function for Cotswold District Council (CDC), West Oxfordshire District Council (WODC) and the Forest of Dean District Council (FoDDC) is delivered by the shared Environmental and Regulatory Service (ERS). Licensing is a statutory function as laid out in the Licensing Act 2003, Gambling Act 2005, the Local Government Act 1982 and legislation surrounding the licensing of Hackney and Private Hire operators, drivers and vehicles. There are four national licensing objectives that local authorities are required to contribute to when discharging their licensing duties: the prevention of crime and disorder; increased public safety; the prevention of public nuisance and to increase protection of children from harm. It is therefore important that the Licensing function ensures that all premises, vehicles and individuals licensed by the Councils meet the necessary statutory requirements.



## Summary of Findings:

- Fees

Fees for licences issued under the Licensing Act 2003 are prescribed by legislation. One licensing fee (premises licence where the premises has yet to be designated a rateable value) charged by the authorities was found to be contrary to the Licensing Act 2003; all others were found to be compliant with the legislation. The current discretionary licensing fees charged across the three authorities are largely based on historic fees with an annual inflation uplift applied each year, meaning that it is possible that they are either not proportionate and are subject to challenge or are not achieving cost recovery. Work to review all licensing fees is currently being carried out by the Licensing function with support by the Finance team.

- Licence Recording

The Uniform business system is used at all three Councils to record licences issued. We were able to find evidence to demonstrate that well established procedures are in place to enable the licensing function to operate in a timely and efficient way. Appropriate guidance documentation and policies are available for those processing licence applications and renewals, although there is opportunity for improvement to be made in the introduction of secondary checks to licences by a Senior Officer before they are issued. Sample testing conducted in order to verify the legitimacy of new and renewal applications confirmed a reasonable level of compliance with specified procedures. Some instances of omission of information or supporting documentation within licence records held on Uniform were highlighted during the course of the audit, offering an opportunity for improvement of information completeness and accuracy. All licences tested were found to be processed within statutory timeframes, if they were applicable.

- Licensing Income

The majority of licences issued by the Councils are paid for on application, and a licence is not issued until the correct fee is received. Sample testing carried out confirmed that fees were charged correctly for all licences tested. Some licences (e.g. premises licences) are subject to an annual fee to maintain the validity of the licence once it is granted, which is set up as a subscription through the Accounts Receivable department. There is currently no mechanism to ensure that all licensees are invoiced for

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their annual fee each year. We have recommended an enhancement to the reconciliation process carried out by the Licensing function - which is currently focussed on cash - to ensure that all expected income (including invoiced income) is received. A recommendation has also been made to consistently continue with the existing debt recovery procedures in place - using the aged debt report available - to ensure that all income due is received by the Councils or action taken to revoke or suspend licences if appropriate.

- **Licensing Enforcement**

The arrangements for pro-active licensing enforcement were reviewed, including the Enforcement Policies and activities carried out by officers. Observations have been made regarding enforcement within this report to provoke thought with responsible licensing management to ensure they are comfortable with the current arrangements, including the frequency of pro-active operations and the distribution of the operations across the districts. Although there are Enforcement Policies at each of the three Councils, these are high level policies and do not include specific information on Licensing enforcement. There are no written procedures or guidance on Licensing-specific enforcement and no documented records are kept when operations are carried out. Risks have been highlighted in relation to this for management consideration. A further review of Licensing enforcement is planned for 2018/19, which will explore some of the points raised in this report in more detail.

- **Large Events and Safety Advisory Groups (SAGs)**

The arrangements for SAGs are different at each of the three Councils, which can be attributed to the number of large events that are held in each of the districts; WODC sees more large scale events than CDC and large events are rarely held within the district at FoDDC. As SAGs are not a statutory requirement or body, we do not believe it is appropriate to make recommendation on whether the arrangements across the authorities should be more uniform. We have used information from other Councils and assessments of risk from the current arrangements to provide responsible management with points for consideration, to aid this decision being made within the service.

- **Data Handling and Storage Arrangements**

All licensing data is held on the Uniform business system and all 3 Councils. Officers were able to provide information of physical data storage at WODC, the arrangements of which are secure. We can confirm that the Licensing function is involved in preparations for the introduction of the General Data

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Protection Regulations (GDPR) in May 2018, which are being led by the ICT Audit & Compliance Manager. The process to implement the requirements of the GDPR should ensure a high level of data protection practice, as long as the service follows the guidance of the Data Protection Officer.

Recommendations have been made, and agreed, with management to address the weaknesses. A follow-up review has been included in the Annual Plan for 2018/19 to review the agreed actions.

#### **Food Safety – Partial Assurance**

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Food Safety across the Publica partner councils of:

- Cotswold District Council (CDC)
- Forest of Dean District Council (FODDC)
- West Oxfordshire District Council (WODC)

Competent Authorities have statutory duties to enforce legislation relating to food and must comply with the Food Law Code of Practice (England) 2017, which has been issued under section 40(1) of the Food Safety Act 1990 (the Act), Regulation 26(1) of the Food Safety and Hygiene (England) Regulations 2013, and Regulation 6(1) of the Official Feed and Food Controls (England) Regulations 2009.

On 1st November 2017 the ERS service transferred into Publica Group. The Food Safety service is now a joint service across WODC, CDC and FODDC and is led by the Service Business Manager.

The Service Business Manager is supported by the Service Leader, Food and Health and Safety (Lead Officer), 4 x Senior Officers, 3 x Officers and a trainee food Officer. Additional resource is through a food Safety contractor. Currently there are 3222 business premises within the 3 authorities and to best utilise resource the following is one of the key target indicators within the Food Service Plan 2017/18: -

“To carry out interventions in premises in accordance with the frequencies specified in the Food Law Code of

practice. Inspect 100% of food premises categorised A, B & C. 80% of category D inspections and 60% of E's".

Included within the Food Service Plan are the 2016/17 figures, based on the same criteria, across all 3 partner councils and show that they achieved figures of A's 100%, B's 93%, C's 94%, D's 85%, E's 63% of due inspections.

At the time of audit, the service has an average of 81.3% of achieved interventions (A-D rating) against expected interventions, 924 interventions had been completed out of the 1137 expected up till and including December 2017.

Weaknesses identified during the audit include:

- Officers are required to be authorised and qualified. Although authorisation was evident it was not at an appropriate level or to the requirements set out in the Food Law Code of Practice. During the audit the service was transferred to Publica, which has led to uncertainty as to whether officers can issue legal notices.
- Documentation throughout the service area requires review as many refer only to WODC and the Public Protection Service rather than the three partner authorities and ERS.
- The service has a documented process detailing how and what monitoring will take place. These targets have not been achieved.
- During testing, we found 72% of premises had been inspected within the expected time.

A target of 10 samples taken per authority for 2017/18 had been set by the service but, at the time of the audit, no sampling had taken place

Recommendations have been made, and agreed, with management to address the weaknesses. A follow-up review has been included in the Annual Plan for 2018/19 to review the agreed actions.

**Accounts Payable – Reasonable Assurance**

As part of the 2017-18 internal audit plan, a review was carried out to assess the adequacy of the procedures and controls in place within Accounts Payable, based at the Forest of Dean District Council.

Accounts Payable (AP) processes all invoices and payment requests on behalf of a number of clients including Cotswold District Council.

A modular approach was adopted this year, so this review did not cover all procedures carried out by AP. Over a three year cycle all AP procedures are reviewed and tested. This year the following areas were reviewed: management around receiving and processing supplier invoices; management of sundry supplier payments; appropriate approval of individual payments; controls around creating and approving payment files; mitigating controls to prevent duplicate payments; and the effect the launch of Publica Group Ltd (Publica) has on AP procedures. These processes were reviewed, and transactional testing was carried out on all supplier payments made during the period October 2016 to September 2017.

The below table contains a summary of the transactional testing for CDC:

Sundry Supplier Payments			
No. of Suppliers	Frequency	Value £	
33	2	34669	
5	3	2243	
1	4	5257	
2	11	7151	
Payment Duration			
Within 30 Days	Average Time		

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97%	10.1days			
Duplicate Payments				
Invoice Sample Size	No. Of Duplicate Payments	No. Recovered during Audit	No. Outstanding at time of audit	Value Outstanding £
3326	8	5	3	11898.67

**Sundry Supplier Payments**

Sundry supplier payments are used when suppliers are not set up within Business World and future payments to the same supplier are unlikely. Using the sundry supplier method of payment increases demand on AP as all sundry payment details are verified by a second officer as part of the payment run process.

**Duplicate Payments**

Duplicate payments are slightly lower than reported in the previous year’s audit (9), although the reasons for duplication are consistent with last year:

- Invoices being send to AP twice
- Supplier identification numbers being incorrectly entered
- Invoice numbers wrongly entered
- Payments processed using both PO and supplier invoice method

A new AP Team Leader was appointed in June 2016; procedures have been reviewed and additional controls have been implemented. This was evident from the transactional testing, as shown in the above table, as performance was seen to improve throughout the testing period. The AP Team Leader has also agreed to introduce a new quarterly process for the identification of duplicate payments so that refunds / credits can be reclaimed in a timely manner.

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**Council Tax Reduction Scheme – Substantial Assurance**

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for the Council Tax Reduction Scheme (CTRS) at Cotswold District Council (CDC). A new CTRS was introduced on 01/04/2017.

The objectives of the audit review were to

- To review the adequacy and effectiveness of the internal controls operating over the delivery of the Council Tax Support Scheme to include compliance with statutory regulations and internal policy/procedures.
- To review and assess the arrangements in place for the introduction of the Universal Credit scheme.

**Summary of Findings:**

- Meeting minutes confirm the 2017/18 CTRS has been approved by Members.
- Formal procedures or policies are not in place and staff training records are not maintained, however, Officers have access to the CTRS criteria and a mentor training system operates for new staff. Sample testing was undertaken to check new applications and changes in circumstances are processed in compliance with CTRS criteria; all claims in our sample had the appropriate supporting information present and were processed in accordance with the scheme.
- Daily reconciliation of CTS is undertaken.
- CTRS claims are monitored along with Housing Benefit cases. It was explained this is due to a very high percentage of Housing Benefits claims also including a CTRS element, and it is felt there is no need to just assess CTRS cases. Applications are checked by Operations Managers for calculation and administration accuracy. The average times for processing new CTS claims and changes in circumstance are also monitored. At the time of audit work, both BVP!'s were slightly higher than their target score but evidence was found to support these are monitored quarterly.

- There is no liaison with the Counter Fraud Unit in relation to the CTRS. The Compliance Team act on allegations of suspected fraud received from Officers and the general public and refer them to the DWP. The majority of cases are referred to the DWP as they investigate housing benefit and most claimants are in receipt of this benefit; evidence was supplied to support a copy of these referrals is kept by the Council. For CTRS investigations, there is no set policy or procedure to follow, it is undertaken on case by case basis and professional experience leads to the next step of the investigation.

We also reviewed how the Council prepared for the introduction of Universal Credit. Review of the Council website and Facebook account found it contained information on Universal Credit, and refers claimants to the DWP for further information, as they administer the benefit. Evidence obtained supports that staff, residents and landlords were made aware of Universal Credit prior to its introduction in the district. Evidence supports Council Officers were given an overview of changes that would be occurring by Jobcentre+staff, to help them provide support to claimants.

No recommendations were made in this report.

#### **Council Tax and NNDR – Reasonable Assurance**

Council Tax and NNDR have been combined into one report.

As part of the 2017/18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Council Tax and National Non-Domestic Rates (NNDR) across Cotswold District Council (CDC).

The reviews of Council Tax and NNDR are undertaken on a modular basis over a 3-year cycle; this is year 3 of the cycle.



1. To review the adequacy and effectiveness of the internal controls operating within the Council Tax / NNDR system.
2. To ensure procedures are meeting internal policy, procedures and targets.
3. To ensure that processes are meeting external codes of practice, professional good practice and statutory regulations as applicable.
4. To follow up on the implementation of recommendations identified in the previous year's review.

Summary of Findings:

- The Council has an overarching Counter Fraud and Anti-Corruption policy in place which all Council staff must adhere to, and from our discussions we established arrangements are also in place to investigate Council Tax and NNDR accounts for potential non-compliant activity.
- For the period examined, 83% of Council Tax payments and 72% of NNDR payments were made using direct debit. Sample testing was undertaken to check compliance with Council payment procedures. All payments in our sample were found to have the correct mandate applied to the account in Northgate. Some direct debits in our sample were confirmed as paperless so the details were taken over the telephone, but we are unable to verify this as there are no notes on the account in Northgate. We have recommended a record is maintained by all Officers in Northgate so there is a full audit trail.
- All completed write offs in our sample were found to have been authorised in Northgate by Officers with sufficient system permissions to carry out that duty. However, one write off in our sample for over £5000 which was made up of separate years liability was found to have not been approved by Members as per the Council's financial rules; the Business Service Manager for Revenues and Benefits confirmed they will be looking into the Council's write off systems.
- Reports of completion notices, issued since April 2017, have not been able to be obtained, so we have been unable to undertake testing. It was confirmed that a review is currently being undertaken in respect of the inspections procedure to try and align processes across CDC and WODC, and we would agree it would be beneficial to review processes in this area to aid with monitoring performance and compliance with legislation and Council guidance.

**Comment [JP1]:** Is this correct for CDC or was it a WODC issue?

**Comment [CL2]:**

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- We can confirm that daily reconciliations of Council Tax and NNDR are undertaken, but there are issues with the NNDR reconciliation. The Revenues and Systems Officer confirmed Northgate have investigated and they are happy the figures do balance but there is a system error; we would recommend the Council ensure the system balance is restored so an accurate reconciliation of NNDR can be undertaken and recorded.
- We were supplied the Council Tax Base procedure, and from review of the document we are happy growth in the district is considered when calculating Council Tax. A sample of Parish precepts were examined to confirm they had been set in adherence to Council procedure for 2018/19. For one Parish in our sample the Band E charge was used by accident resulting in an incorrect reported number of Band D equivalent properties, this will result in an increase in that Parish's Council Tax the following year of around 45p on a Band D property. The Council Tax base for the remaining Parish's in our sample were set in accordance with the procedure supplied

We have made four recommendations, which, when addressed they will only improve the control framework

#### **Capital Spend & Flexible Use of Capital Receipts – Substantial Assurance**

As part of the 2017-18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Capital Programme expenditure at Cotswold District Council.

##### **Capital Spend**

The Capital Programme is determined each year by senior management using business cases put forward by Service managers, in conjunction with the Medium Term Financial Strategy (MTFS) and Treasury Strategy. It is funded from Capital Receipts, Earmarked Reserves, Grants and Contributions from 3rd parties, and Revenue contributions. Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant and equipment or vehicles. Capital expenditure may include loans and grants that are used by others for capital purposes. Capital budgets are approved annually by Full Council in February after first being considered by Overview and Scrutiny, and Cabinet.

The Chartered Institute of Public Finance and Accountancy (CIPFA) introduced the Prudential Code for Capital Finance in Local Authorities (Prudential Code) in 2004. Local authorities are required to “have regard” to it when developing their capital investment plans (Local Government Act 2003, Part 1). The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. CIPFA therefore reviewed the Prudential Code through consultation with local authorities. The reviewed Prudential Code was published in December 2017 to be implemented in April 2018.

It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making. Key developments proposed for this version of the Code include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The reviewed Prudential Code was published at the time this audit was being undertaken. At the point of reporting there had been no actual change to the way the Council managed Capital spend; however, we are able to provide assurance the Council had good regard for the changes required.

#### Flexible use of Capital receipts

Capital receipts can only be used for specific purposes, which are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) Regulations 2003 (Local Government Act 2003, section 11). The main permitted purpose is to fund capital expenditure; authorities are not permitted to use capital receipts to support revenue expenditure. There are exceptions to this, which is ‘Flexible use of Capital Receipts’. The Local Government Act (2003) (section 15) defines flexible use of Capital receipts as expenditure on a project where incurring up-front costs will generate ongoing savings.

We investigated the Council's position in terms of Flexible use of Capital Receipts. We found that, although there was provision within the Capital programme to use capital receipts to support the Council's 2020 project, it had not been drawn down. The Council was managing the 2020 transformation project through revenue reserves instead.

Testing found capital expenditure was well managed throughout the Council. Budget holders were seen to adequately monitor their budgets and complied to the Council's Financial and Contract rules. GOSS Finance is proactive at compiling summary reports quarterly to ensure Cabinet were kept informed on levels of spend throughout the year. Senior management had put provisions in place to prepare for required changes as a result of the Prudential Code review.

Potential for improvement was noted in terms of informing Council committees on potential budget carry forward when approving the programme for the following year and informing the Procurement team on the business cases used to determine the Capital programme to allow them to schedule their work throughout the year.

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