

Cotswold District Council

Report of Internal Audit Activity

Plan Progress 2018/2019

April 2019

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Internal Audit Plan Progress 2018/2019

Our audit activity is split between:

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

● Role of Internal Audit

The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services (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 recommended to the Audit Committee by the Chief Finance Officer, following consultation with the Council's Management Team. The 2018/19 Audit Plan was reported to, and approved by, Audit Committee at its meeting in April 2018.

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

Internal Audit Plan Progress 2018/2019

Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 1 being a major area of concern requiring immediate corrective action and 3 being a minor or administrative concern

- Internal Audit Work

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 A** of this document.

The schedule provided at **Appendix B** contains a list of all audits as agreed in the Internal Audit Annual Plan 2018/19. 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.

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.

Further information on all the finalised reviews can be found within **Appendix C**.

At **Appendix D** we have included a schedule of the high priority recommendations that were identified during 2017/18. These will be updated when the follow-up audit has been completed.

Appendix E summarises all 2017/18 and 2018/19 recommendations and the progress made against these.

Internal Audit Plan Progress 2018/2019

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 2018/19 is detailed in Appendix B. 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 (Chief Finance Officer).

The Public Sector Network audit has been deferred to 2019/20 due to the timing of the submission to the Cabinet Office

The audit of Corporate Culture has been deferred to 2019/20 and will be undertaken to coincide with the Publica Transformation Programme

The audit of Members ICT has been deferred to 2019/20 due to the changes being made to Members ICT arrangements and the forthcoming elections

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

- **No Assurance**
- **Partial**
- **Reasonable**
- **Substantial**

● Audit Framework Definitions

Control Assurance Definitions

No 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.
Partial	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.
Reasonable	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.
Substantial	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.

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 Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major \longleftrightarrow 1 = Minor					Comments
						Recommendation					
						5	4	3	2	1	
2017/18 Audits – Draft / In Progress at Annual Opinion											
ICT	Protection from Malicious Code		Position Statement								
ICT	ICT Policies		Final Report	Reasonable	1			1			Reported October 2018
ICT	Public Services Network Submission (PSN)		Final Report	Reasonable	2			2			Reported October 2018
Key Financial Control	Fighting Fraud Locally		Final Report	Reasonable	4		1	3			Reported January 2019
Key Financial Control	Serious and Organised Crime Checklist		Final Report	Reasonable	1			1			Reported October 2018
Key Financial Control	Serious and Organised Crime Audit										

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						2018/19 Audit Plan			
Governance	Annual Governance Statement	1	Final Report	Substantial	-				Reported October 2018
ICT	Data Protection Act 2018 (GDPR)	1	In Progress						
Operational	Procurement and Contract Management	1	In Progress						
Operational	Refugees	1	Final Report	N/A	-				Reported January 2019
Operational	Disabled Facilities Grants (NEW)	1	Final Report	Reasonable	7	-	3	4	Reported January 2019
Other Audit Involvement	Disabled Facilities Grant Certification	1	Complete	N/A					
Governance	Performance Management	2	In Progress						
Operational	Members and Officers Gifts and Hospitality and Declarations of Interest	2	In Progress						
Operational	Regulatory Awareness and Compliance	2	Complete						Desktop research identified that only one area included regulatory change which has been actioned. Days added back into contingency
Operational	Internal Enforcement Agency	2	Final Report	Reasonable	7	-	2	5	Reported January 2019

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						Operational	S106 Agreements and Funds	2	
Operational	Subsidy Claims	2	Draft Report						
Follow-Up	Licensing	2	Final Report	N/A	-				
Follow-Up	Food Safety	2	Final Report	N/A	-				
Follow-Up	Security	2	Draft Report						
Follow-Up	Safeguarding	2	Final Report	N/A					
Follow-Up	Pool Cars	2	Final Report	N/A	-				
Operational	Assurance over Payment Procedure	2	Final Report	N/A	-			Reported January 2019	
Key Financial Control	Revenues and Benefits	3							
	<ul style="list-style-type: none"> National Non-Domestic Rates 		Draft Report						
	<ul style="list-style-type: none"> Council Tax 		Draft Report						
	<ul style="list-style-type: none"> Council Tax Benefit 		Draft Report						
Key Financial Control	Core Financials	3							

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
							<ul style="list-style-type: none"> Accounts Payable 		
	<ul style="list-style-type: none"> Accounts Receivable 		Final Report	Reasonable	2		1	1	See Appendices C, D & E
	<ul style="list-style-type: none"> Main Accounting 		In Progress						
	<ul style="list-style-type: none"> Payroll 		Draft Report						
	<ul style="list-style-type: none"> Treasury Management and Bank Reconciliation 		Final Report	Substantial	1	-	-	1	Reported January 2019
Key Financial Control	Systems Administration	3	In Progress						
Key Financial Control	Human Resources	3	In Progress						
Key Financial Control	Other Support Service provided by Publica <ul style="list-style-type: none"> Procurement 	3	In Progress						
Governance	Risk Management	4	In Progress						
Key Financial Control	Serious and Organised Crime	4	In Progress						
Operational	Corporate Culture	4	Audit Deferred						Audit deferred to 2019/20
Operational	Discretionary Housing Payments	4	Final Report	Reasonable	10	-	2	8	Reported January 2019
Follow-Up	Private Water Supplies (NEW)	4	In Progress						

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	Priority			Comments
						1	2	3	
						ICT	Public Services Network Submission (PSN)	4	
	Cybersecurity	4	In Progress						
	Members ICT	4	Deferred					Audit deferred to 2019/20 due to changes in Members ICT arrangements and forthcoming elections	
Follow-Up Audits	Follow-Ups of Recommendations made in Substantial and Reasonable Audits	1 – 4	On Going					See Appendices D & E	
Advice and Consultancy	Benefits Realisation	1 - 4	In Progress						
Advice and Consultancy	Public Governance	1 – 4	On Going						
Advice and Consultancy	Change Programmes (Public Transformation Programme)	1 – 4	Position Statement						
Other Audit Involvement	Provision for Grant Certifications	1 – 4	Complete					Additional Grant Funding	
Other Audit Involvement	Management of the IA Function and Client Support	1 – 4	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		
	Adding Value / Benchmarking Reports								

Audit Assignments finalised since the last Audit Committee:

Summary of 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.

2018/19 Accounts Payable – Substantial Assurance

We are pleased to offer Substantial Assurance over the following procedures with Accounts Payable:

- Timeliness of payments
- Re-coding of invoices
- Feeder system payments
- Ensuring duplicate suppliers are not set up within Business World
- Identifying and recovering duplicate payments

One recommendation has been made in regard to extending a process already undertaken by the AP Team Leader to identify duplicate payments. The current process identifies duplicate payments made by a single client but does not identify if the same invoice had been paid by two clients. Our testing identified all duplicate payments made from the same client had been identified and recovered (or in the process of being recovered). However, we found one invoice that was paid by two partners (£764.57 overpayment) and another two invoices paid by two partners (£1352.70 overpayment) that had not been identified as part of the Service’s current process. The service had therefore not contacted these suppliers to recover these duplicate payments.

2018/19 Accounts Receivable – Reasonable Assurance

We are pleased to offer a (high) Reasonable Assurance over the following procedures within the Accounts Receivable service:

- Debt recovery
- Debt write-offs
- Amending invoice subscriptions

The controls implemented by the Accounts Receivable (AR) Team Leader since December 2017 have been shown to ensure the Service's key tasks, i.e. Direct Debit runs and debt recovery have improved. We can confirm the outstanding debt is low at each of AR's clients investigated as part of this review. We can also confirm all debt write-offs have been approved in accordance with each authority's scheme of delegated authority.

However, we identified that AR officers are not recording evidence that debt recovery procedures are being followed or that the budget holder's authorisation to write-off unrecoverable debt has been obtained, in accordance with AR's procedures. We have therefore made a recommendation around this control weakness.

During a separate audit we identified three instances where requests had been received to amend invoice subscriptions; a new subscription was created but the original subscription remained active. This resulted, on two occasions, of a customer paying twice for the same service from the Council. We have therefore recommended that the AR team carry out a review of all active subscriptions to identify and rectify any other duplicate subscriptions.

Audit Name	Priority	Recommendation	Management Response	Due Date	Update April 2019
2017/18 – Food Safety	2	The Lead Officer has agreed to ensure inspections are carried out in accordance with the Food Law Code of Practice intervention frequencies to comply with its statutory duties to enforce legislation relating to food.	<p>The FSA are currently reviewing the timescale (28 days) in which due inspections must be made as local authorities nationally are struggling to achieve this. ERS will aim to prioritise inspections according to risk and where able inspect within 28 days of the due date.</p> <p>Overdue inspections are monitored at monthly team Meetings."</p>	30/06/18	The review found the Service had vastly decreased the number of late/missed visits. A risk-based approach has been adopted that means the higher risk properties are visited as a priority and therefore late/missed visits will be lower risk premises. All late/missed visits are monitored and reported monthly to the Business Service Manager and Group manager. It is unlikely the Service will ever reach a point that there are never any late visits due to variables such as resourcing and accessibility of the premises. The recommendation has therefore been closed.
2017/18 – Licensing	2	We recommend that the requirements of licensing enforcement operations are documented. The activities that are carried out during the operations should also be documented to provide evidence and support any resulting actions that are taken by officers.	As a result of this review, some training needs and opportunity for process improvement have been highlighted. A Licensing team training session will be held on how to record this pro-active enforcement work, and in relation to the use and closure of service requests on Uniform for enforcement related actions."	31/10/18	<p>Recommendation Complete</p> <p>The new procedure has been implemented which includes procedure documentation and request form, training has been carried out with all officers.</p>

Audit Name	Priority	Recommendation	Management Response	Due Date	Update April 2019
2017/18 – Licensing	2	We recommend that the procedure for debt recovery for premises and club premises licences is amended to be in accordance with relevant legislation.	In accordance with the legislation the current procedure for debt recovery will be amended to ensure that Premises and Club Licences are suspended after 21 days of an invoice becoming due. ERS will request the assistance of Accounts Receivable to assist with this task.	28/02/19	<p>Follow-Up Audit Commenced Recommendation in progress</p> <p>Follow-Up Feb 19 The progress of this recommendation has been delayed due to support from the Licensing Team at CBC being unavailable at this time. However, the Licensing Team Leader has received training via Business Administration on running customer debt reports. This process will be passed to the officer that currently monitors aged debt, on her return from extended leave.</p>
2017/18 - Safeguarding	2	A process should be put in place to ensure that the Safeguarding Policy is embedded into all contracted services or to ensure that contractors have a sufficient regard for Safeguarding which is equivalent to the requirements of the authority's Safeguarding Policy. This process should include a method of gaining continued assurance that a supplier is abiding by the Safeguarding requirements of the Council.	This is a matter that can be discussed with the procurement team. It will also need to be part of discussions as part of the new contractual arrangements between CDC and Publica."	01/04/18	Follow-Up Audit Commenced

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update April 2019
2017/18 - Safeguarding	2	"The 'Lead Designated Safeguarding Officer', who is accountable for the effective delivery of the Safeguarding Policy, must obtain assurance that the training requirements of the policy are met. In order to gain such assurance, it is recommended that a full review of the approach to training is undertaken for all 'employees' and Members. Focus should be given to the following: - The introduction of Safeguarding into the Corporate Induction process - Development of a plan for Safeguarding training for staff and Members and to include a timeframe for completing the training requirements - Introduction of a method of recording staff training and understanding of training content"	The LSO, together with the Community Safety Officer, now attend induction sessions to give a presentation in respect of safeguarding and PREVENT. A training plan/strategy is being developed that will outline training requirements for staff and councillors and how this will be delivered. Safeguarding of children and vulnerable adults is now included on the new online training system and other courses will be added as appropriate. Details of completion of the courses will be recorded on the system."	31/12/17	Follow-Up Audit Commenced
2017/18 – Council Tax and NNDR	2	To ensure efficient monitoring of completion notices can be undertaken, Council processes should be reviewed	The practice and administration of completion notices is currently being reviewed	30/06/18	Recommendation Closed following Management Response received
2017/18 – Fighting Fraud and Corruption	2	The CFU should be consulted when the Procurement and Contract Strategy is reviewed to ensure fraud in relation to procurement is fully considered.	CFU Manager to work with Procurement and assist with a revised Strategy"	30/06/19	

Audit Name	Priority	Recommendation	Management Response	Due Date	Update April 2019
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Audit Name	Priority	Recommendation	Management Response	Due Date	Update April 2019
2018/19 Disabled Facilities Grants	2	<p>The Councils should ensure all planned work is approved by an Occupational Therapist or suitably qualified substitute (if appropriate) prior to any work commencing to ensure its suitability. In addition, consideration should be given to ensuring all major adaptations are checked on completion by an Occupational Therapist or qualified surveyor, and applicant satisfaction recorded, prior to payment being approved.</p>	<p>The new HIA system to be implemented (for WODC) in April 2019 has a requirement for proposed and completed work to be approved built into it. It has been agreed by Foundations that provided it is written into the Regulatory Reform Order, basic works do not require OT involvement. We are researching courses and costs for Trusted Assessor Training for Officers to assist them with this decision-making process. This will speed up the process for applicants and reduce the backlog of works, thus better meeting clients' needs.</p> <p>Gloucestershire County Council has deemed the completion of satisfaction questionnaires unnecessary as all customers were satisfied due to the nature of the work and therefore was creating work with no real outcomes. Satisfaction surveys are therefore not undertaken at CDC. Officers have been reminded to ensure that satisfaction certifications are obtained after completion.</p>	30/04/19	

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update April 2019
2018/19 Disabled Facilities Grants	2	Until such time alternative arrangements are in place (in accordance with recommendation 3.2), DFG officers should ensure sufficient quotations to evidence that value for money for the use of public funds are sought in accordance with the guidance supplied to the applicant.	The two cases highlighted during the audit were extraordinary circumstances where completion of the proposed work was time critical. Approval to proceed after obtaining a single quote was given by the Business Manager.	-	Recommendation Closed following Management Response received
2018/19 Disabled Facilities Grants	2	The Business Service Manager for Revenues and Benefits should ensure that technical advice is available for all DFG applications and this is not funded entirely from DFG budgets.	This is a historical way of working to sustain the HIA service in WODC. Further investigations are ongoing to ascertain when/why it was agreed and/or implemented. When investigations are completed, and if amendments are required, they will be implemented	30/06/19	
2018/19 Discretionary Housing Payments	2	The DHP Policy must state a claimant who is only receiving Local Council Tax Support is not eligible for a DHP, and the use of the local Council Tax scheme must be clarified	Will ensure Policy is updated to better clarify	31/03/19	
2018/19 Discretionary Housing Payments	2	A DHP Award Letter or email must be sent to all DHP applicants to inform them of their DHP decision as per DWP requirements.	Agreed and will ensure this is written within procedures and communicated to officers	28/02/19	Follow-Up Commenced

Audit Name	Priority	Recommendation	Management Response	Due Date	Update April 2019
2018/19 Internal Enforcement Agency	2	Publica must ensure the Councils are consulted prior to any further stages of enforcement being internalised to ensure all risks can be considered by them.	Head of Revs and Bens and Business service managers are meeting to discuss a cabinet report with a view to adopting further enforcement methods. This will happen in late November/December.	28/06/19	
2018/19 Internal Enforcement Agency	2	The Acting Head of Revenues and Benefits must contact the Court to notify them of the changes to their employer.	Worcester Court have been contacted to issue another certificate.	29/03/19	
2018/19 Accounts Receivable	2	A review of all active subscriptions should be carried out, on behalf of each client, to identify any other duplicate subscriptions and these should all be corrected. Priority	Agreed. This will be carried out. Additional training will also be provided to AR officers to prevent this occurring again in the future.	31/03/19	



