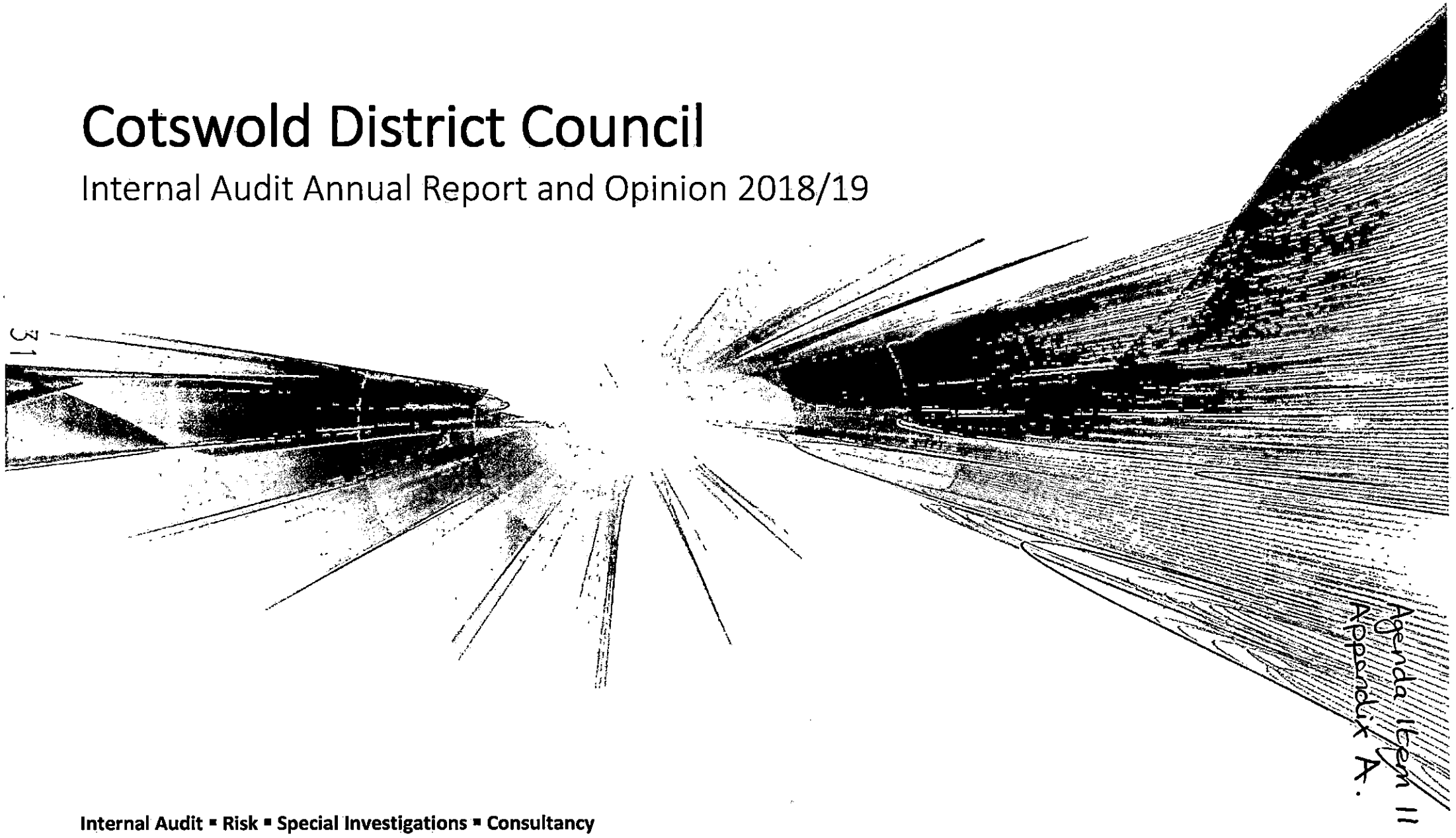


Cotswold District Council

Internal Audit Annual Report and Opinion 2018/19



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Agenda Item 11
Appendix A.

Contents

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Summary

The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes.
- disclose any qualifications to that opinion, together with the reasons for the qualification;
- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies;
- draw attention to any issues the Head of Internal Audit judges particularly relevant;
- compare the work undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria;
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Summary

Three Lines of Defence

To ensure the effectiveness of an organisation's risk management framework, the Audit Committee and Senior Management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines of Defence' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- The first line of defence – functions that own and manage risk.
- The second line of defence – functions that oversee or specialise in risk management and compliance.
- The third line of defence – functions that provide independent assurance.

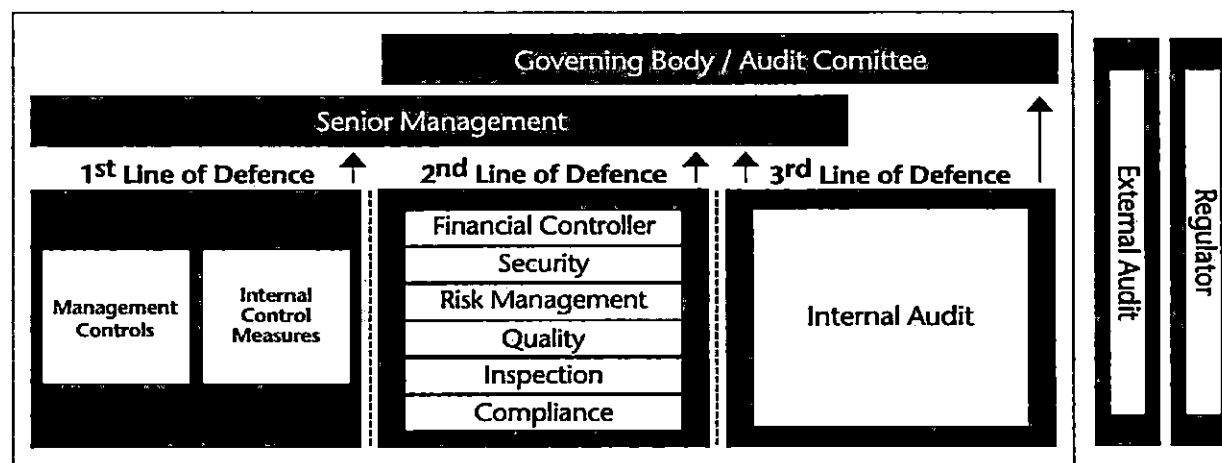
Scope

The Internal Audit service for Cotswold District Council is provided by SWAP Internal Audit Services Limited (SWAP). The team's 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 Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the organisation's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and the Audit Committee. This report summarises the activity of the Internal Audit Team for the 2018/19 year against the Internal Audit Plan (approved by the Audit Committee, April 2018).

The position of Internal Audit within an organisation's governance framework is best summarised in the three lines of defence model shown below.

Three lines of Defence Model



Chartered Institute of Internal Auditors, December 2015

Internal Audit Annual Opinion 2018/19

The Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Annual Opinion

I have considered the balance of 2018/19 audit work, the assurance levels provided, the profile of each audit and outcomes, together with the response from Senior Management and am able to offer 'Reasonable Assurance' in respect of the areas reviewed during the year. Generally, risks are well managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Internal Audit's work has been guided by the Annual Audit Plan and emerging risks identified by Senior Management; therefore, we have not reviewed all risks and assurances relating to Cotswold District Council and Publica and cannot provide absolute assurance on the internal control environment. Senior Management and Members are ultimately responsible for ensuring an effective system of internal control.

The Annual Opinion is made based on the following sources of information:

- Completed audits (during 2018/19) which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from advisory / consultancy support.
- Follow-Up of previous audit activity, including agreed actions against recommendations.
- Significant / material risk where management has not accepted the need for mitigating action.

Opinions are a balanced reflection, not a snapshot in time. Information to support this assessment is obtained from multiple engagements and sources (including advice / consultancy work and the assurance mapping records the team maintain). The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

Over the year, the Audit Team have found that Senior Management of Cotswold District Council and Publica to be generally supportive of Internal Audit findings and responsive to recommendations made. In addition, there is a good relationship with management whereby they feel they can approach the Audit Team openly in areas where they perceive potential problems.

Audit Opinion Continued

We have completed 34 reviews for Cotswold District Council, including assurances over Publica's control framework. The completed reviews consist of assurance pieces of work, follow-ups, advice and consultancy and non-opinions.

A number of audits (8) are at draft report stage and are still in the process of being finalised. A verbal update on the progress of these reports will be provided at the meeting. These reports and assurances will be included in the 2019/20 Annual Opinion.

In agreement with Management, and previously reported to this meeting some reviews were exchanged, removed or deferred from the approved plan, as the need to respond to new and emerging risks was identified. Any new, or unplanned, audit work has been included in the annual plan and can be identified with an *.

All recommendations made are followed up by the Audit Team. The team have not raised any additional concerns over the delay / non-implementation of recommendations.

Determining whether risk management processes are effective is a judgement resulting from the internal auditor's assessment that:

- Organisational objectives support and align with the organisation's priorities.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organisation's risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and members to carry out their responsibilities.

It is also worth noting the 'Non-Opinion' audits during 2018/19. Given the level of change within the company, Internal Audit has a role to play in being the 'Trusted Advisor', and as such we were involved in a key area of change, namely Transformation. Although no opinion is offered with this work, details of the work and findings are shared with Senior Management and the Committee and an action plan to address areas for improvement is agreed.

During 2019/20 there will continue to be challenges and risks associated with the Publica transformation programme and its successful delivery. Acceptable risk taking will be required to deliver the transformation programme successfully and maintain Council services to an acceptable standard. SWAP Internal Audit Services

will continue to support the transformation programme to identify any risk and suggest mitigating controls as appropriate.

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Summary of Audit Work 2018/19

Our audit activity is split between:

- Governance Audits
- Key Financial Control Audits
- ICT Audits
- Operational Audits
- Follow-Up Audits
- Advice and Consultancy

Internal Audit Work Programme

The schedule, included in the report (pages 13-17), contains a list of all audits agreed for inclusion in the Annual Audit Plan 2018/19 and the final outturn for the year. In total, 45 pieces of work were commissioned. 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.

The 45 reviews in the 2018/19 audit plan are broken down as follows:

Type of audit	2018/19 plan
• Governance Audits	3
• Key Financial Control Audits	12
• ICT Audits	6
• Operational Audits	12
• Follow-Up Audits	6
• Advice and Consultancy	4
• Grant Certification	2
• TOTAL	45

Summary of Audit Work 2018/19

Significant Corporate Issues

Identified Significant Issues should be brought to the attention of Members.

Significant Corporate Issues

The following are the significant issues / areas identified during the course of our audit programme of work for 2018/19. Follow-Up audits have been included in the 2019/20 audit plan to ensure agreed recommendations have / are being actioned.

Review	Issues / Risk
S106 Agreements and Funds	Not all service areas were consulted as part of negotiations, lack of monitoring of S106s (financial controls, triggers), timeliness of income and payments to third parties, progress of S106s are not reported regularly

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Summary of Audit Work 2018/19

SWAP Performance - Summary of Audit Opinions

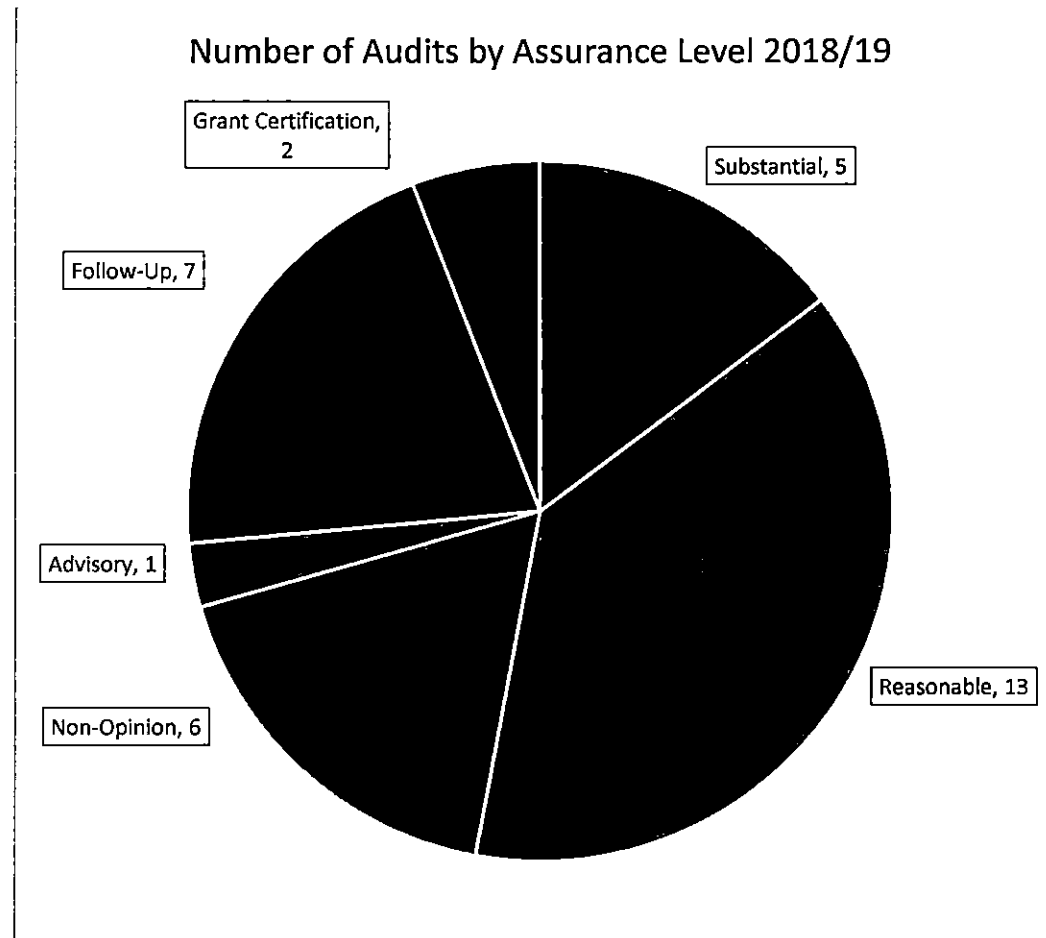
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- No Assurance

We also undertake 'non-opinion' work on a consultancy basis where we have been asked to look at a specific area of potential concern.

Summary of Audit Opinion

The following chart is a summary of all the reviews finalised / completed during 2018/19.



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Summary of Audit Work 2018/19

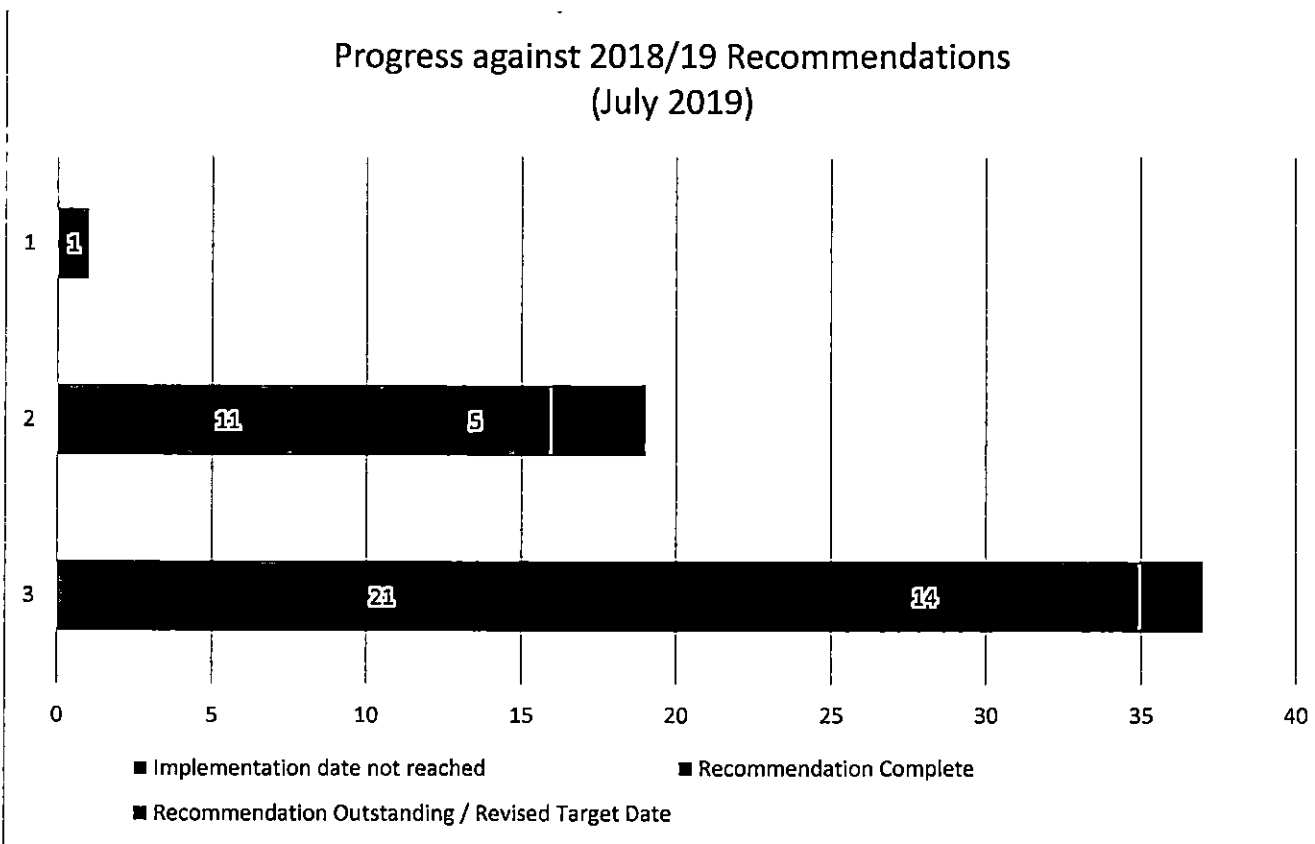
SWAP Performance - Summary of Audit Recommendations by Priority

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

Priority Actions

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. Therefore, recommendations are assessed as to how important they are to the scope of the area audited.

Progress against 2018/19 Recommendations (July 2019)



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP, we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of "added value" is; "it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost".

In addition to our audit plan, where requested by client officers we look to share risk information, best practice and benchmarking data/information. The following are some of the areas where Cotswold District Council has requested or participated in enabling us to produce benchmarking reports across the partnership:

- Regular updates highlighting emerging risks and key issues.
- Best practice information for Bed and Breakfast VAT Charges.
- Identification and assessment of best practice for authority Business Continuity Plans.
- Comparison of Anti-Fraud and Corruption Policies and Strategies
- Car Parking – comparison requested to assess areas to consider for improvement to service or increase income.
- Comparison of Procurement arrangements.
- Members Training Events.

Plan Performance 2018/19

Internal Audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by the (SWAP) Board and Member Meetings. The respective outturn performance results for Cotswold District Council for the 2018/19 year are as follows:

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u>	
Final Report / Complete	76%
Draft Report	18%
In progress	0%
Deferred to 2019/20	7%

Internal Audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice Framework on Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). Both standards require Internal, and External, Assessments (Standard 1300) of the Internal Audit function.

The standards require an External Assessment to be carried out at least every five years. SWAP was found to be in conformance with the International Professional Practices Framework and the Public Sector Internal Audit Standards (PSIAS). As a result of the External Assessment, a Quality Assessment Improvement Plan (QAIP) is produced. This document is a live document, reviewed regularly by the SWAP Board to ensure continuous improvement.

And finally, just like any other company and Cotswold District Council itself, our accounts are subject to both Internal and External Audit Review. The auditor confirmed that the audit did not find any areas of concern and the auditor was confident that the processes in place are adequate to support SWAP's annual report and financial statements.

The schedule below contains a list of audits agreed for inclusion in the 2018/19 Annual Audit Plan and the final outturn for the financial year. Audits completed that were not in the original plan reported to Audit Committee are indicated with an *.

At the conclusion of an audit assignment a 'Control Assurance' is awarded. A summary of the assurance levels is as follows:

Assurance Definitions	
None	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.

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Non-Opinion/Advice – 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 assigned a priority rating based on the following framework:

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
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.

Audit Type	Audit Area	Status	Opinion	No of Recs	1 = Major, 2 = Moderate, 3 = Minor		
					Recommendation		
					1	2	3
Finalised / Completed Audits							
ICT	Protection from Malicious Code	Position Statement	Non-Opinion	-			
ICT	ICT Policies	Final Report	Reasonable	1			1
ICT	Public Services Network Submission (PSN)	Final Report	Reasonable	2			2
Key Financial Control	Fighting Fraud Locally	Final Report	Reasonable	4		1	3
Key Financial Control	Serious and Organised Crime Audit and Checklist	Final Report	Reasonable	1			1
Governance	Annual Governance Statement	Final Report	Substantial	-			
Operational	Refugees (CDC)	Final Report	Non-Opinion	-			
Operational	Disabled Facilities Grants	Final Report	Reasonable	7		3	4
Operational	Regulatory Awareness and Compliance	Complete	Non-Opinion	-			
Operational	Internal Enforcement Agency	Final Report	Reasonable	7		2	5
Key Financial Control	Revenues and Benefits						
	<ul style="list-style-type: none"> Council Tax and NNDR 	Final Report	Reasonable	4		1	3

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Plan Performance 2018/19

Audit Type	Audit Area	Status	Opinion	No of Recs	1 = Major, 2 = Moderate, 3 = Minor		
					Recommendation		
					1	2	3
	<ul style="list-style-type: none"> Housing Benefit / Council Tax Support 	Final Report	Reasonable	2		1	1
	Subsidy Claims	Final Report	Reasonable	1		1	
Key Financial Controls	Core Financials						
	<ul style="list-style-type: none"> Accounts Payable 	Final Report	Substantial	1			1
	<ul style="list-style-type: none"> Accounts Receivable 	Final Report	Reasonable	2		1	1
	<ul style="list-style-type: none"> Treasury Management and Bank Reconciliations 	Final Report	Substantial	1			1
	<ul style="list-style-type: none"> Main Accounting 	Final Report	Substantial	1			1
	<ul style="list-style-type: none"> Payroll 	Final Report	Reasonable	4			4
Operational	Members' and Officers' Gifts and Hospitality and Declarations of Interest	Final Report	Substantial	1			1
Operational	Discretionary Housing Payments	Final Report	Reasonable	10		2	8
Operational	*Private Water Supplies	Final Report	Reasonable	6		4	2

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Audit Type	Audit Area	Status	Comments
Follow-Up Audits			
	Licensing	Final Report	
	Food Safety	Final Report	
	Security	Final Report	
	Safeguarding	Final Report	
	Pool Cars	Final Report	
	Serious and Organised Crime and Fighting Fraud and Corruption	Final Report	Follow-up, with the CFU, of the recommendations made in the 2017/18 audits
Operational	*Assurance over Payment Procedure	Final Report	Review requested by Council
Grant Certification Work			
	Disabled Facilities Grants	Complete	
	Disabled Facilities Grants (Additional Funding)	Complete	

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Plan Performance 2018/19

Audit Type	Audit Area	Status	Comments
Work Incomplete as at 31st May 2019			
ICT	Data Protection Act (GDPR)	Draft Report	
Operational	Procurement and Contract Management	Draft Report	
Key Financial Control	Systems Admin	Draft Report	
Key Financial Control	Human Resources	Draft Report	
Key Financial Control	Procurement	Draft Report	
Governance	Risk Management	Draft Report	
ICT	Cybersecurity	Draft Report	
Advice and Consultancy			
	Benefits Realisation (Publica)	Draft Report	
	Performance Management	Complete	Result of audit has been included in the Benefits Realisation report as the same data was used to complete testing
	Transformation Programme (Publica)	Position Statement	Assurance to the Council
	Managed Waste Services	Position Statement	
Operational	S106 Agreements and Funds	Final Report	Advisory piece of work

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Plan Performance 2018/19

Audit Type	Audit Area	Status	Comments
Audits deferred / removed from the Plan during the year			
Operational	Corporate Culture		Audits Deferred to 2019/20 and will be undertaken to support Publica Transformation Programme
Advice and Consultancy	Workforce Strategy		
ICT	Members ICT		Audit Deferred due to changes in Members ICT arrangements and the elections at some Partner Councils

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Cotswold District Council

Report of Internal Audit Activity

Summary of work completed since April 2019

July 2019

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Appendix B .

Contents

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Appendix C – Executive Summary of Finalised Audit Assignments

Appendix D – High Priority Recommendation Follow-Up

Appendix E – Summary of All Recommendations

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.

2018/19 Main Accounting, Budgetary Control and Capital Accounting – Substantial Assurance

Evidence was seen to support records were maintained in relation to the bringing forward of balances to the 2018/19 financial year for all Councils. Meeting minutes support opening balances were checked and signed off by the External Auditor and balances were reported to Members at each Council, respectively. At the time of audit work (February 2019), Cotswold District Council's 2018/19 opening balance had not been loaded into the Council's financial management system; once this was rectified by an Accountant, all opening balances agreed to the closing balances reported in each of the Council's 2017/18 Statement of Accounts. Going forward, we have suggested a check should be undertaken once the Statement of Accounts has been signed off by the External Auditor, so all balances are loaded in a timely manner.

Sample testing was undertaken to check that for 2 separate months (June 2018 and September 2018), the closing account balance for the period matched the opening balance for the next period; all balances were found to be the same, and we found no transactions were made after the accounting period selected. 1 transaction was found to have been made prior to the accounting period reviewed; we were advised this was due to an older invoice being posted into the period, potentially after a dispute.

Evidence was supplied to support the 2018/19 budgets were loaded into each Council's financial management system by Accountants. Sample testing was undertaken to ensure cost centres were allocated to budget holders and budgets had been accurately loaded, and we also assessed year on year spend from 2016/17 and 2017/18. Testing found all cost centres selected were allocated to named budget holders and all original budgets loaded into the financial management system matched the approved budgets supplied. 25% of the cost centres had budget adjustments actioned during 2018/19, and we received satisfactory explanations for the adjustments that were found.

Evidence found supports all Council Capital Strategies have been drafted in accordance with Prudential indicators and approved by their Members.

We can confirm substantial controls are in place in relation to Main Accounting, Budgetary Control and Capital Accounting areas covered in this year’s review.

2018/19 Private Water Supplies – Reasonable Assurance

As part of the 2017/18 audit plan a review was undertaken to assess the adequacy of the controls and procedures in place for Private Water Supplies (PWS) at Cotswold (CDC), Forest of Dean (FoDDC) and West Oxfordshire (WODC) District Councils. The objective of this review was to ensure that the Councils’ PWS risk assessments and monitoring visits were carried out in accordance with regulations and that costs were recovered for undertaking this service. The review highlighted a number of control weaknesses that resulted in a high number of supplies not receiving risk assessment reviews and/or water sampling visits when due; and where these were carried out costs were not recovered in 40% of cases. A Position Statement, detailing our findings was issued to the service to allow processes to be revised to address the control weaknesses. No recommendations were made as part of the Position Statement.

This current review, part of the 2018/19 audit plan, was undertaken to assess whether the service has adequately addressed all points raised within the Position Statement.

The Private Water Supplies (England) Regulations 2016, and the Water Industry Act 1991 requires local authorities to monitor all private water supplies intended for human consumption. Depending on the type of supply, local authorities must carry out a risk assessment (RA) for private water supplies (PWS) in their area and update that RA, at least, every 5 years. Water sample testing must be carried out at a frequency determined by the RA and all water sampling results are reported to the Drinking Water Inspectorate (DWI) annually. The following table shows the number of Private Water Supplies registered at each authority, based on data obtained from the DWI report:

Supply Type	Number registered			Require RA	Sampling frequency (range depending on risk analysis)
	CDC	WODC	FoDDC		
Reg 8	9	1	0	Yes	1 sample every 5 years <i>up to</i> multiple samples per year
Reg 9	123	66	14	Yes	1 Check sample and 1 Audit sample per year (these may be completed in a single visit) <i>up to</i> multiple samples per year
Reg 10	24	10	4	Yes	1 sample every 5 years <i>up to</i> multiple samples per year
Single Domestic	92	8	49	No *	None *
Total	248	85	67		

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* Supply owners can request a risk assessment and/or sample testing is carried out

The Private Water Supplies (England) Regulations allows local authorities to recover the cost of monitoring from the owner, or person responsible, for the supply. The cost to the customer is determined by the number/type of parameters tested for (dependent of the risk assessment) and the laboratory collection cost, plus £100 to cover resource costs. The table below shows the number, and estimated value to the customers, of sampling visits carried out at each authority in 2018:

	CDC	WODC	FoDDC
Number of visits carried out	198	123	18
Estimated cost to the customers	£48,718	£26,760	£2,501

We can confirm that since the Private Water Supplies position statement was issued in April 2018, the service has made good progress towards addressing the weaknesses that were highlighted. The most significant risk to the Councils, at the time, was the number of overdue supply risk assessments. The service has since employed an officer with the primary role of completing risk assessments, which has dramatically increased the rate at which overdue risk assessments are completed. According to the service’s risk assessment renewal schedule, overdue risk assessments should have been reviewed and renewed within six months. However, our investigations identified that, due to data entry inconsistencies, there were significantly more overdue risk assessments than the renewal schedule reported.

Where supplies with overdue risk assessments were omitted from the renewal schedule, the supplies were also not included in future water sampling schedules. Water sampling consists of testing the supply for potential risks of consumption based on the results of the risk assessment. Where supplies were omitted from the sampling schedule, no sampling visits were carried out and supply users were at risk of being supplied with water unfit for consumption.

2018/19 Section 106 Agreements and Funds (CDC) – Advisory

We found that delegated officers are proficient within their part of the overall Section 106 Agreement process; however, due to Services working in isolation no one has oversight of the end to end process, resulting in a number of control weakness in the Council’s ability to ensure funds have been collected or spent in accordance with the terms held within the agreement. Planning officers comply with the Community Infrastructure Levy 2010 and National Planning Policy Framework when negotiating Section 106 Agreements; legal agreements are drafted and approved in a timely manner and funds

received and spent are appropriately accounted for. However, once the planning permission has been granted there is no named officer or Service that has responsibility for monitoring Section 106 Agreements. As no officer has overall responsibility for when trigger points have been reached there is a risk not all developers are requested to pay funds/action clauses as detailed, and agreed, within the Planning Obligation, until prompted by an interested 3rd Party.

We recommend that a procedure is implemented to monitor all agreed Planning Obligations and that the complete process, initial consultation through to ensuring monies collected are appropriately spent, is overseen by a named officer. A number of further recommendations have been made that will improve the processes already in place to the benefit the local community.

2018/19 Payroll – Reasonable Assurance

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

- Processing of starters, leavers and variations to personnel records.
- Reconciliation of Payroll to the General Ledger (for Publica client).
- Exception Reporting.
- Separation of Duties and BACS file authorisation.
- Follow up on recommendations issued from the previous audit.

A review of payroll system access identified some employees outside of the payroll team possessed levels of access enabling them to perform full payroll duties. A recommendation is made to review the access required and restrict full payroll access to the payroll team only.

There are some procedural notes in place and used by the payroll team, however they are not fully documented to show all clients requirements. A recommendation is made to ensure all client requirements are clearly specified and documented.

In the 2017/18 audit a recommendation was made to ensure regular reconciliations to the general ledger were completed for all clients. A reconciliation for Publica is completed on a quarterly basis, although since the transfer of staff from CDC and WODC to Publica, a decision was made not to complete a reconciliation for those clients following the TUPE transfer of, the majority of staff to Publica, a recommendation is made for Publica to complete regular reconciliations for the partner Councils. A second recommendation was made in 2017/18 to ensure checklists are consistently used for starters, leavers and contract variations. From sample testing, we are satisfied that checklists are used, and HR processes are to be standardised across the team for all clients from February 2019.

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Authority to send the BACS payments is provided by HR Management who review and sign the Payroll reports. Only the payroll team members retain the system access to approve the BACS payments via the PT-X system. Therefore, it is possible for the BACS payments to be made prior to this authorisation being given by the HR Management. A recommendation is made to consider re-assigning BACS payment control to HR Management.

2018/19 Subsidy Claims – Reasonable Assurance

This audit was planned to be conducted following the completion, and certification of the 2017/18 MPF720A claim forms by Grant Thornton for Cotswold District Council (CDC), we established, through discussion with the Assurance Manager that the cause of the issues identified within the claim forms were human error and system error.

At the time of audit work (December 2018) we were advised meetings are due to be held by the Assurance Manager with the Head of Revenues & Benefits, the Benefit Manager and the Prevention and Relief Technical Lead Officer and the Quality and Appeals Officer to review the issues found in the 2017/18 Subsidy Claim certifications, and how the Councils can mitigate against them going forwards.

The extrapolated values identified by Grant Thornton in the 2017/18 Subsidy Claim qualifications are small in comparison to the total subsidy received by the Council, but some errors have been identified in areas which were raised in previous years. To mitigate against human error, increased Quality Assurance should be undertaken, especially in the areas which will be subject to increased testing from the Reporting Accountant (Grant Thornton) in the 2018/19 certification, to ensure the cause of errors can be identified and lessons learnt can be shared with Officers to resolve issues where possible.

From the total local authority error overpayment figures supplied to us for the year to date (April - December 2018), there is currently a risk that the Council may be penalised and will not receive a full subsidy in the 2018/19 Subsidy Claim certification. At the time of audit work, we were advised a meeting is due to be held between the Joint Technical Lead Officer and Publica Group Finance Director to discuss this.

Based on our discussions, we can conclude that reasonable assurance can be provided on the Council's current capability to control this risk.

2018/19 Council Tax and NNDR – Reasonable Assurance

There are no internal policies in place for Public Officers to follow when undertaking processes relating to domestic and commercial property valuations for Cotswold District Council (CDC). The Valuation Agency Office (VAO) assign all official Council Tax Bands and Rateable Values; Public Officers use their professional knowledge and experience to undertake Council system processes. Sample testing was undertaken to ensure the Rateable Values and Council Tax bands recorded in Northgate are consistent with those held by the VAO; we found this to be true for all properties reviewed. CDC does not reconcile the Council Tax base to the number of properties recorded, but we were advised a report is run regularly by the Head of Revenues & Benefits to ensure the number of properties recorded in each district balances with what is held by the VAO.

The Contracts Register (April 2018) confirms the Business Manager Operational Services is responsible for the following contracts at CDC;

- Northgate • UK Mail • Bristow & Sutor Limited • Rossendales Limited

Records are not held by the Service Manager, but reviews are undertaken with the bailiff providers (Bristow and Sutor and Rossendales) on a regular basis. We have been unable to check if all services are being provided in accordance with legislation, council guidance and the agreed contracts, as the service were unable to supply copies of all contracts.

Daily reconciliations of Council Tax and NNDR are undertaken but as found in the previous audit, the CDC NNDR reconciliation record does not balance; we have recommended this should be rectified with Northgate. At the time of audit, the suspense accounts for the Council was overdue for review, we recommended they are monitored monthly.

Accounts in credit and arrears are not regularly reported or monitored at CDC. Arrears are managed by Northgate system parameters and sample testing was undertaken to ensure previous stages of the recovery process had been undertaken to recover debts; we had satisfactory responses to all our queries. Accounts in credit are reviewed annually prior to annual billing, however we were unable to undertake testing as we were advised it was not possible to replicate the data required.

Recovery action on customer accounts can be paused or suppressed in certain circumstances. Sample testing was undertaken to ensure all suppressed accounts had an end date recorded within Northgate and had evidence to support the reason for suppression; all suppressions had a reason code and an end date recorded in Northgate.

Testing was undertaken to check refunds are approved in Northgate; all refunds in our sample were created and approved by different officers, however, not all the refunds had a note to support why they had been raised. To ensure there is a full audit trail, we have suggested a note should be added in Northgate to support why it has been actioned.

4 recommendations were made for CDC in last year's Council Tax and NNDR review, of these 2 have been implemented, 1 has been partially implemented and 1 is still outstanding.

From the areas reviewed in this year's audit, we can confirm reasonable processes and control arrangements are in place.

2018/19 Housing Benefit and Council Tax Support – Reasonable Assurance

Testing was undertaken on new Housing Benefit applications and changes in circumstances (April – October 2018) made to Cotswold district Council (CDC) to assess whether claims have been processed in accordance with procedure and benefit entitlements; a recommendation has been made to try and help to address the issues found. All claims reviewed were found to have supporting evidence on file. Testing was not undertaken on Universal Credit claims as they are not processed by Publica Officers.

Regular reconciliations are undertaken of Housing Benefit and Council Tax Reduction, but reconciliations are not independently reviewed or signed off by another Officer. Exception reporting is not undertaken in relation to Housing Benefit, as discrepancies should be discovered during the reconciliation process, and Northgate system alerts should inform Officers of any duplicate payments or accounts.

Testing is undertaken by the Technical Team when Northgate system parameters are updated. Parameters are signed off by the Business Manager Operational Services, although evidence was not seen to support this for the period covered in this review. We were advised that testing of Housing Benefit system parameters is undertaken by External Audit during the Housing Benefit Subsidy certification.

Customers were given the opportunity to comment on the proposed 2019/20 Council Tax Reduction Scheme (CTRS) at CDC. At the time of writing this report (January 2019), Members were still to decide on the new CTRS at CDC. There are no recommendations to follow up from last year's review of CDC's CTRS.

Based on the areas covered in this review, we can conclude that reasonable assurance can be provided on the Council's current controls.

2018/19 Members' and Officers' Gifts, Hospitality and Declarations of Interest – Substantial Assurance

We are able to offer a Substantial Assurance over the Members' and Officers' Declarations of Interest, Gifts and Hospitality process at Cotswold District Council (CDC).

Members: The processes in place for elected Members to declare interests are generally robust and effective. We are satisfied that adequate arrangements are in place to promote awareness of the process and to ensure that any relevant interests are declared by Members. In line with the Localism Act 2011, interests declared by Members are available via the Cotswold District Council (CDC) website.

A process is also in place for Members to declare offers of gifts and hospitality. Forms are completed by Members and are processed and stored effectively and securely by Committee Services.

One recommendation has been made in relation to the update of the Codes of Conduct in the Council Constitution.

Officers: An assessment of the processes and procedures in place for officers will be covered in the Publica version of this audit, following the TUPE transfer of the majority of the Council's officers to Publica Group Ltd.

A process is in place for retained Council officers to declare interests, gifts and hospitality. Declarations made are reviewed by the Head of Paid Service and forms retained by the Monitoring Officer.

High Priority Recommendation Follow-Up

APPENDIX D

Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 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

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2017/18 - Safeguarding	2	<p>"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:</p> <ul style="list-style-type: none"> - 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" 	<p>The LSO, together with the Community Safety Officer, now attend induction sessions to give a presentation in respect of safeguarding and PREVENT.</p> <p>A training plan/strategy is being developed that will outline training requirements for staff and councillors and how this will be delivered.</p> <p>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."</p>	31/12/17	Follow-Up Audit Commenced
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	<p>We have been advised the current strategy is being revised and this task will be completed this year. A meeting between the Procurement Team and the CFU Manager (19/2/19) supports this is being undertaken and the CFU and Procurement are both involved in the process.</p> <p>Recommendation closed</p>

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Disabled Facilities Grants	2	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>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	

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
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	Policy has been reviewed and updated. Recommendation Closed
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	Recommendation has been actioned and closed
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	Response received from the Court, no need to issue a new certificate as CDC is an owner of Publica Recommendation Closed

High Priority Recommendation Follow-Up

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
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	Will be followed up during the 2019/20 audit of Accounts Receivable
2018/18 Private Water Supplies	2	All existing data within Uniform should be reviewed and cleansed to ensure Uniform is an accurate reflection of all Private Water Supplies registered, and that data can be easily extracted for the annual Drinking Water Inspectorate Data Return.	The Private Water Supplies data cleanse is currently underway. This involves resolving anomalies, identifying causes of missed risk assessments and sampling and ensuring all Reg 8/9/10 supplies contain accurate data and sampling triggers.	30/06/19	
2018/18 Private Water Supplies	2	As part of the data cleanse the service should agree a consistent approach to entering Private Water Supplies data and produce guidance documentation to assist officers	Following the data cleanse, a procedure will be written to ensure data entry is consistent allowing for a simplified Drinking Water Inspectorate extract.	31/07/19	
2018/18 Private Water Supplies	2	Following the project to cleanse private water supply data within Uniform, an accurate schedule to complete all overdue and upcoming risk assessments, including realistic timeframes, should be developed that prioritises supplies based on perceived level of risk to users of those supplies.	Following the data cleanse, the Senior Officer will work with the ERS Data Analyst to produce this list to ensure work is effectively prioritised based upon risk to public health.	30/06/19	
2018/18 Private Water Supplies	2	A review of all active private water supply entries on Uniform should be undertaken to ensure sufficient sampling visits are scheduled, according to the most recent risk assessment, for the next two years.	This action will be completed as part of the overall data cleanse plan.	30/06/19	

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Section 106 Agreements and Funds	2	All relevant internal Service areas must be involved as appropriate, at either pre-application and/or application stage to ensure evidence, impact and need are generated regarding the proposed development. Consideration should be given to creating a reference document that states when the specific Service areas / officers should be involved in the S106 consultation process and who will maintain this document.	Historically, internal Services were not invited to submit claims as the Council did not have an approved policy to support their involvement. The Local Plan was approved in December 2018. Planning Managers will continue to raise awareness of recent policy changes and apply the Development Team Approach at the earliest stage, which will ensure all interested parties are included. Furthermore, regular meetings will be held with relevant Service areas to gain feedback from consultees over the consultation process.	31/07/19	
2018/19 Section 106 Agreements and Funds	1	To ensure all S106 Agreements and financial contributions can be monitored, an overarching S106 record should be maintained, to include: covenants, clauses, triggers and payments. The use of the tick box in Uniform should also be reviewed to assess whether this adds value to the Service and the records it maintains.	We will ensure the implementation of CIL includes a system for monitoring S106s. Prior to this being implemented, quarterly S106 monitoring meetings will be held with the S106 Development team. The Governance arrangements of this team will be developed following the conclusion of the audit.	31/07/19	

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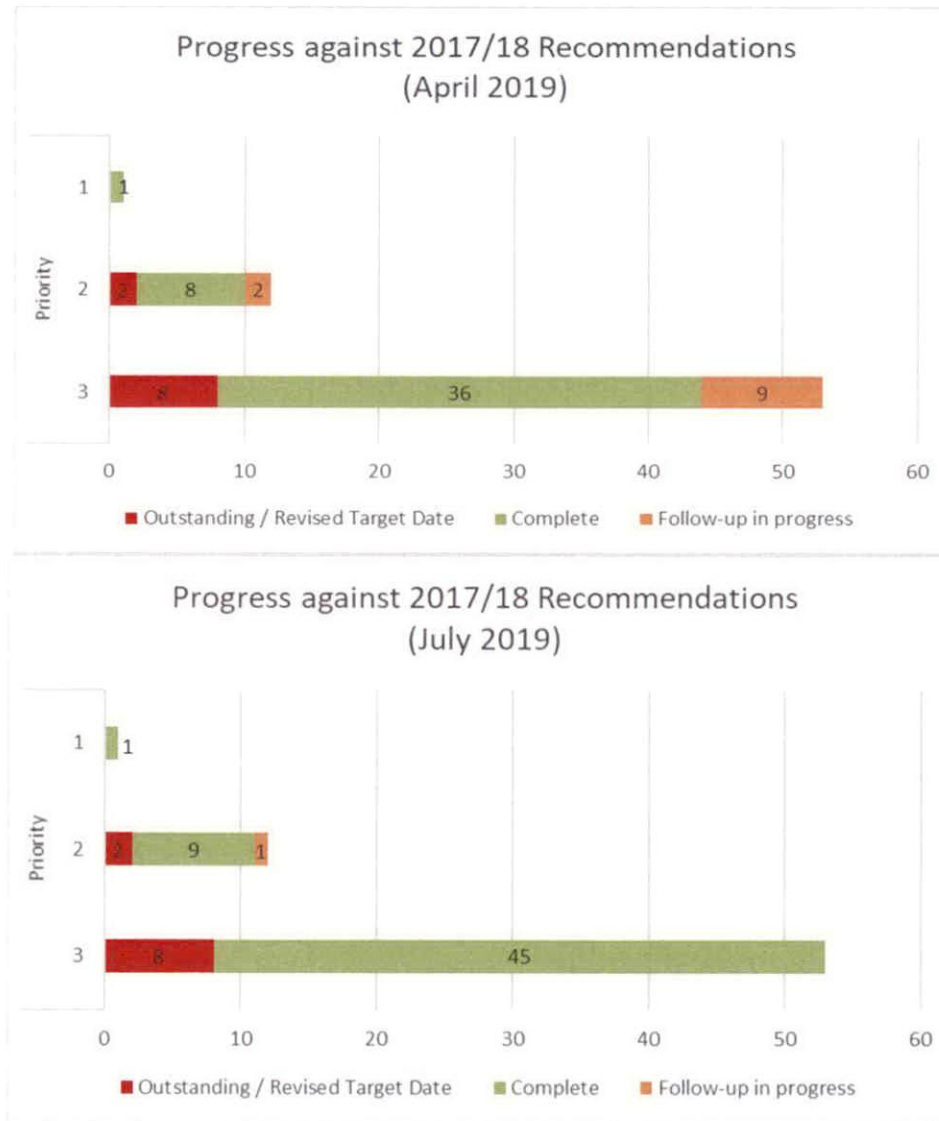
Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Section 106 Agreements and Funds	2	Consideration should be given to delegating responsibility to an officer, or group of officers, for monitoring all S106 Agreements and financial contributions, to ensure all triggers are met (actioned) and that funds are received and spent in accordance with the agreement(s).	An officer has been appointed to implement and oversee the Community Infrastructure Levy, who will also oversee the management of Section 106s. This officer will liaise with all relevant Council Services to ensure the delivery of S106s is monitored appropriately.		Recommendation Complete
2018/19 Section 106 Agreements and Funds	2	To ensure there is a full audit trail and financial contributions are consistently managed, developers should be invoiced for financial contributions once the relevant trigger has been reached. In addition, evidence that 3rd parties spend contributions in accordance with the agreement, or an itemised invoice, should be obtained prior to issuing payments to 3rd parties.	Officers will liaise with officers at WODC and FODDC to agree a consistent approach to recording and invoicing, and the submission of evidence from 3rd parties.	31/07/19	
2018/19 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 to all Members and on the Council's website	Portfolio holders will be regularly updated going forward. Once CIL has been implemented, the CIL system will aide with the reporting of S106s to Members and on the Council's webpages will also be developed to allow the delivery of S106s to be reported there.	31/07/19	
2018/19 Housing Benefit and Council Tax Support	2	Remind Benefit Officers that all claims must be correctly updated to ensure information displayed and held in Northgate is correct. Priority	Legislative changes have been clearly identified and guidance issued to ensure officers are aware as to how claims for Housing Benefit are affected in order to prevent further overpayments arising during assessment.	30/09/19	Will be followed up as part of the 2019/20 audit

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Audit Name	Priority	Recommendation	Management Response	Due Date	Update July 2019
2018/19 Council Tax and NNDR	2	The Council should ensure the system is fixed so an accurate and balanced NNDR reconciliation can be undertaken and recorded. Priority	This has now been fixed	29/06/19	Recommendation Closed
2018/19 Subsidy Claims	2	Increased quality assurance should be undertaken in the areas where errors were found in the 2017/18 Subsidy Claim calculation, to mitigate against issues resulting from local authority error.	We already check a proportion of these claims, but moving forward there will be a closer monitoring and increase in QA in these areas	29/09/19	

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