



EAST CAMBRIDGESHIRE DISTRICT COUNCIL
INTERNAL AUDIT PROGRESS & PERFORMANCE UPDATE
SEPTEMBER 2019



Date: 26th September 2019

Introduction

- 1.1 LGSS provides the Internal Audit service for East Cambridgeshire District Council and has been commissioned to provide 210 days to deliver the 2019/20 Annual Audit Plan.
- 1.2 The Public Sector Internal Audit Standards (the Standards) require the Finance and Assets Committee to satisfy itself that it is receiving appropriate assurance about the controls put in place by management to address identified risks to the council. This report aims to provide the committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last committee meeting and an overview of the performance of the audit team.

Performance

2.1 Delivery of the 2019/20 Audit Plan

At the time of reporting, fieldwork on ten assignments from the 2019/20 Audit Plan is either complete or underway, representing 55% of the planned work. As such, delivery is on schedule.

Progress on individual assignments is shown in Table 1.

2.2 Are clients satisfied with the quality of the Internal Audit assignments?

To date, four survey responses have been received in relation to feedback on assignments and all have rated the service as either 'good' or 'outstanding' in all areas. The results are provided in Table 2.

2.3 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

Since the last committee meeting, three audit reports from the 2019/20 audit plan have been finalised. To date, these have not highlighted any issues or weaknesses which would impact upon the overall Internal Audit opinion. The key findings from the reports were as follows:

Absence Management

Effective absence management underpins the delivery of all Council services and as such, supports the Council's corporate priorities. The Council has in place a Managing Attendance & Stress at Work Policy and Procedure which covers the management of health and sickness issues for all employees. The critical objective of this review was to ensure compliance with the above Policy and Procedure and that sickness absence was managed in a fair, sensitive and consistent manner.




There is a standard process in place for reporting and recording absence contained within the Managing Attendance & Stress at Work Policy and Procedure which is available to all staff. The Council introduced a new payroll and human resources system in April 2018 (iTrent), which changed the way absences are recorded but this change has yet to be incorporated into the

above Policy and Procedure. Managers are responsible for recording all sickness absence on iTrent and conducting and recording return to work interviews using iTrent. Sample testing of sickness absence taken from staff flexi time records confirmed that sickness absence had been correctly recorded on iTrent but in two cases tested there was no evidence on the system of a return to work interview having taken place.

Human Resources are responsible for monitoring sickness absence and ensuring that sickness reviews are completed when trigger points are met. Sample testing of sickness absence taken from a report produced from iTrent confirmed that relevant action had been taken when trigger points had been met.

The Council reports sickness absence through the Service Delivery Plan for Human Resources however only short term sickness absence per full time equivalent (FTE) is reported. A sickness absence performance target of 3.3 working days per FTE for short term absence exists, and for the ten month period April 2018 to January 2019 it was reported through the Service Delivery Plan that 2.4 days per FTE was lost. The reporting of sickness absence could be further clarified by including details of both long and short term sickness absence to provide an overall picture of sickness absence in the Council and inform decision making and performance management.

Based on the work performed during the audit, overall good assurance can be given that there are effective controls in operation. The assurance opinions given are as follows:

Assurance Opinion		
Control Environment	Good	
Compliance	Good	
Organisational Impact	Minor	

Use of Government Procurement Cards




Procurement cards are issued to officers in order to facilitate the efficient procurement of low value goods and services for business use via the internet or by telephone. The Council held eight procurement cards at the time of the review. the total spend on procurement cards for the financial year 2018/19 was £67,971.00 inclusive of VAT with three cardholders accounting for 78% of the expenditure.

The Council has produced a User Guide for procurement cardholders which briefly sets out the general requirements of the cardholder in terms of keeping the card secure, logging of transactions, accounting for VAT etc. but also covers misuse of the card, cancellation of the card, replacement cards, increasing credit limits or additional cardholder requests. Cardholders should sign the Annex to the User Guide to acknowledge receipt of the card and that they have understood the attached User Guide. There had been three new procurement cards issued to officers in the period since the last review undertaken in 2016/17 but only one had been issued with a copy of the User Guide.

Individual cardholders are responsible for maintaining a transaction log of expenditure together with VAT invoices/receipts which should be forwarded to the Senior Accountancy Assistant who

completes the posting of expenditure onto Agresso. Testing of a sample of 24 transactions covering the period April 2018 to March 2019 identified instances where purchases made were not properly supported by invoices/receipts and that this had led to the Council being unable to claim back VAT to the value of £128.25 for four purchases made, or that insufficient information had not been provided.

Based on the work performed during the audit, overall satisfactory assurance can be given that there are effective controls in operation. The assurance opinions given are as follows:

Assurance Opinion		
Control Environment	Good	
Compliance	Satisfactory	
Organisational Impact	Minor	

Community Infrastructure Levy (CIL) Income

The Community Infrastructure Levy (CIL) is a levy or tariff that local authorities can charge on types of developments in their area in order to deliver new infrastructure alongside new growth. East Cambridgeshire District Council was one of the first local authorities to introduce CIL in February 2013 and therefore the procedures to administer CIL have been in place for a number of years. The Council has in place an approved CIL Charging Schedule setting out how the charge is calculated and an approved CIL Instalment Policy that sets out the Council's approach of allowing payments to be made over a longer period dependent on the value of the CIL liability. In the financial year 2018/19 CIL income received by the Council amounted to £3,223,323.

The Council uses a web-based product, EXACOM, to administer CIL. This is a multi-user CIL administrator product that provides a work-flow interface to enable an administrator to capture information, calculate charges, levies, surcharges, generate demand notices and manage the monitoring of payments by providing alerts when due dates are reached for follow up action to be taken. There are two CIL Officers with responsibility for CIL administration with one officer responsible for ensuring that all developments are identified for CIL when works commence and a second officer responsible for the recording and monitoring of CIL contributions owed and whether payment trigger points have been met. Both officers have been involved in the CIL administration process for a number of years.

Sample testing of 15 Demand Notices raised in the financial year 2018/19 was completed to ensure that the correct charge was made in accordance with the CIL Charging Schedule. It was confirmed that the payment periods and amounts were in accordance with the CIL Instalment Policy, payments were collected in a timely manner, and where there was a failure to make the payment appropriate recovery action was taken. Testing confirmed that in each case the correct charge had been made but there were two instances identified where the payment period specified in the Instalment Policy had not been followed. Payments were found to have been made in a timely manner in ten cases and where this was not the case there was evidence of effective recovery action being taken. The Council's publication of information regarding CIL was also reviewed and found to be compliant with the requirements of the CIL regulations.

Based on the work performed during the audit, overall good assurance can be given that there are effective controls in operation. The assurance opinions given are as follows:

Assurance Opinion		
Control Environment	Good	●
Compliance	Good	●
Organisational Impact	Minor	●

2.4 Implementation of audit recommendations by officers












Where an Internal Audit review identifies any areas of weakness or non-compliance with the control environment, recommendations are made and an action plan agreed with management, with timeframes for implementation. In order to provide the Committee with assurances that these actions are being implemented in a timely and effective manner, a more robust follow up process has been implemented for the 2019/20 financial year.

Since the last committee meeting, 12 agreed actions have been implemented by officers. An overview is provided in Table 3.

At the time of reporting, there are three actions which are overdue for implementation. Of these, one has been assessed as 'High' or 'Medium' priority and has been overdue for more than three months. As such, further details are provided in Table 4.

Table 1 - Progress against 2019/20 Internal Audit Plan

						Assurance Opinion			
Assignment		Planned start	Status		Assurance sought	Control Environment	Compliance	Org impact	Comments
Governance & Counter Fraud									
Counter Fraud Procedures		Q2	In progress		Supported drafting of revised policy.	Consultancy			
National Fraud Initiative		Q3	In progress			Consultancy			
Risk Management support		Q1 – Q4	In progress			Consultancy			
Ethical Governance		Q3	Not started						
Annual Governance Statement		Q1	Complete		Not applicable	Consultancy			
Key Financial Systems									
Bank Reconciliation		Q3	Not started						
Creditors		Q4	Not started						
Debtors		Q4	Not started						
Payroll		Q4	Not started						
Treasury Management		Q3	Not started						
Budgetary Control		Q3	Not started						

						Assurance Opinion			
Assignment		Planned start	Status		Assurance sought	Control Environment	Compliance	Org impact	Comments
Key policy compliance									
Absence management		Q1	Final report issued		To provide assurance over compliance with key Council policies and procedures, based on sample testing.	Good 	Good 	Minor 	See section 2.3
Use of Government Procurement Cards (GPCs)		Q2	Final report issued		To provide assurance over compliance with key Council policies and procedures, based on sample testing.	Good 	Satisfactory 	Minor 	See section 2.3
Contract extensions		Q2	Fieldwork complete						
Grants to voluntary organisations		Q3	Planning						
Risk based audits									
Homelessness Reduction Act		Q2	Fieldwork underway						
Leisure centre income		Q1	Final report issued		To provide assurance that the Council receives income due from the operator in accordance with contractual arrangements.	Good 	N/A	Minor 	Reported in July 2019
Community Infrastructure Levy (CIL) income		Q1	Final report issued		To provide assurance over the recovery and monitoring of Community Infrastructure Levy (CIL) monies.	Good 	Good 	Minor 	See section 2.3
Health and Safety		Q1	Fieldwork underway						

						Assurance Opinion			
Assignment		Planned start	Status		Assurance sought	Control Environment	Compliance	Org impact	Comments
ICT and Information Governance									
Controls review of critical systems / Cyber Security		Q4	Not started						

Table 2: Customer Satisfaction

At the completion of each assignment, the Auditor issues a Customer Satisfaction Questionnaire (CSQ) to each client with whom there was a significant engagement during the assignment. There have been four survey responses received during the year to date.

Responses	Outstanding	Good	Satisfactory	Poor
Design of assignment	1	3	-	-
Communication during assignment	3	1	-	-
Quality of reporting	2	2	-	-
Quality of recommendations	2	2	-	-
Total	8	8	-	-

Table 3 - Implementation of Audit Recommendations

	‘High’ priority recommendations		‘Medium’ priority recommendations		‘Low’ priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	-	-	6	86%	6	86%	12	80%
Actions overdue by less than three months	-	-	1	14%	-	-	1	7%
Actions overdue by more than three months	1	100%	0	-	1	14%	2	13%
Totals	1	100%	7	100%	7	100%	15	100%

Table 4 – Actions overdue more than three months (high and medium priority)

Audit plan	Audit title	Agreed action	Priority	Responsible officer	Date for implementation	Officer update / revised date
Information Governance						
2016/17	Information Governance	Refresh and promote the information security policy.	High	ICT Manager	01/12/2017	<p>September 2019: The Information security policy is in review, work has started on drawing up a new policy. The policy structure is being amended to remove a number of associated policies which will now form a policy in their own right and be referred to in the Information Policy Security to make it easier reading for the users.</p> <p>To be drafted by end of September/Mid October for senior management approval.</p>

Notes

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There are minimal control weaknesses that present very low risk to the control environment.	The control environment has substantially operated as intended although some minor errors have been detected.
Good ●	There are minor control weaknesses that present low risk to the control environment.	The control environment has largely operated as intended although some errors have been detected.
Satisfactory ●	There are some control weaknesses that present a medium risk to the control environment.	The control environment has mainly operated as intended although errors have been detected.
Limited ●	There are significant control weaknesses that present a high risk to the control environment.	The control environment has not operated as intended. Significant errors have been detected.
No ●	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact		
Level	Definition	
Major ●	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole.	
Moderate ●	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole.	
Minor ●	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.	

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

LGSS Internal Audit is undertaking a programme of work agreed by the Council's senior managers and approved by the Finance and Assets Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers.

There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.