LGSS Internal Audit & Risk Management

East Cambridgeshire District Council

Internal Audit Progress Report

As at 31st October 2016

Introduction

With effect from 1st October 2016 LGSS took over responsibility for the provision of the internal audit service for East Cambridgeshire District Council. This report provides a summary of the work completed under the former arrangements to 30th September 2016 in addition to progress against the audit plan moving forward to 31st March 2017 which is the responsibility of LGSS.

1. *Progress against the plan*

Finalised Assignments

1.1 Since the previous report to the Corporate Governance & Finance Committee in June 2016, the following audit assignments have reached completion as set out below. Reports 1 to 4 relate to assignments under the previous internal audit arrangements. Although not part of the LGSS work plan the assurance opinions will feed into the overall annual internal audit opinion.

No.	Directorate	Assignment	Assurance
1	Operations	Disabled Facilities & Minor Works Grants	Overall significant assurance
2	Cross cutting	National Fraud Initiative – Data Upload	Overall compliance with data requirement/timetable
3	Operations	Rent Deposit Scheme – Follow Up Review	Overall significant assurance
4	Cross cutting	Government Procurement Cards	Overall significant assurance

1.2 At the conclusion of an audit an assurance opinion of the system is reported. With effect from 1st October 2016 as good practice the internal audit team has adopted a new approach to reporting, by providing further analysis of the assurance by control, compliance and organisational impact.

Draft/Interim Reports

1.3 The audit team will have a number of reviews in progress. In addition there are a number of reviews being undertaken by West Suffolk Internal Audit under an existing internal audit agreement which ceases in March 2017. The following audit assignments are in progress:

No.	Directorate	Assignment
1	Cross cutting	Council Tax (West Suffolk Internal Audit)
2	Cross cutting	Creditors
3	Cross cutting	Housing Benefit (West Suffolk Internal Audit)
4	Cross cutting	Information Governance
4	Cross cutting	LATC Set Up (West Suffolk Internal Audit)
5	Cross cutting	NNDR (West Suffolk Internal Audit)
6	Cross cutting	Procurement Compliance

1.4 Further information on work planned by LGSS and in progress for the period October 2016 to March 2017 may be found in the Audit Plan, attached as Appendix A.

Performance

1.5 Under the new internal audit arrangements LGSS will be providing a total of 103 productive days of resource. A further 5 days has also been provided to assist with a review of information governance. Already the team is making good progress to deliver the plan.

1.6 The review of Information Governance was undertaken at the request of the Director (Resources) to help the Council identify what can be done to improve information governance. A draft audit report is in the process of being agreed by the Corporate Management Team. The review covered the following key themes:-

- Governance & strategy
- Data quality
- Compliance with laws and regulations
- Records management
- ICT security
- Information sharing and processing

1.7 The proposed review of the Council's Risk Management Strategy will critically examine the current risk management methodology and recommend an alternative model that will strengthen governance in this area.

1.8 It is good practice to keep audit plans under review and update them to reflect topical issues and risks, revisions to corporate priorities, and resourcing factors which may affect the delivery of the audit plan. Where required, these are discussed and agreed with the corporate leadership team.

1.9 Some minor changes have been made to the annual audit plan originally approved by this Committee in March 2016 with the agreement of the Director (Resources).

1.10 The Council has also procured an additional 5 days from LGSS to undertake a full review of the Council's strategic audit plan, engaging with the Corporate Management Team, Service Leads and the Corporate Governance & Finance Committee to develop a new 5 year plan which captures the Council's risks.

2. *Fraud and corruption update*

Counter fraud awareness:

2.1 The Council has recently completed a review of its Anti-Fraud and Corruption Strategy and updated its Fraud Response Plan. This was approved by CMT in October 2016.

2.2 In addition he LGSS Internal Audit Counter Fraud Team has been working with the CIPFA Counter Fraud Centre to develop a campaign to raise awareness of the issue of fraud and how to report any concerns. This includes designing Fraud Awareness posters, which encourage members of staff to blow the whistle on fraud. The poster campaign will be used as an example of CIPFA-recommended good practice (Appendix C). In addition to the poster campaign, we hope to develop learning material which will explain how to report fraud and provide advice on the warning signs to look out for. The Director (Resources) has agreed to participate in this initiative and as a start, support this poster campaign.

2.3 The Council has met its requirements to submit data sets for the forthcoming National Fraud Initiative exercise, the results being due out in January 2017.

3. *Implementation of management actions*

3.1 Where reviews identify opportunities for improvement, these are agreed with management as part of an action plan.

3.2 The actions are prioritised according to the significance of the control weakness, and the urgency of implementing the improved control. Under the in-house internal audit arrangements that existed until 30th September 2016 recommended actions were given one of three priorities High, Medium or Low. At the time of producing this report a total of 11 High priority recommendations were outstanding.

Audit title	Financial Year	High Priority Recommendations Made	Update on Implementation
Procurement	2014/15	4	• Review and update Contract Procedure Rules to include e-procurement • Review and update Contract Procedure Rules – financial limits • Provide procurement training • Ensure compliance with Contract Procedure Rules The full implementation of these recommendations is still in progress. The planned implementation date was revised to September 2016. Update yet to be obtained from Lead Officer.
NNDR	2015/16	1	• Strengthen empty property visits procedure to confirm property status and correct rewarding of relief This is being followed up as part of the 2016/17 internal audit review which is presently in progress.
Open Data	2015/16	3	• Review Data Quality Strategy to complement Transparency Code principles • Review information contained on the Open Data web page • Provide a link to the Local Government Transparency Code 2015 in guidance documents. The recommendations contained in this report have dependencies on the current wider work being undertaken to deliver the Council's Transformation Programme and therefore have implementation dates that are not in the immediate future. Part of the implementation has involved the audit team undertaking an independent review of the Council's approach to Information Management. The implementation of the recommendations will continue to be monitored.
Rent Deposit Scheme	2015/16	3	• Review information available on website • Produce guidance notes for staff • Introduce robust recovery procedure A follow up review was undertaken during quarter ended 30th September. Recommendations have been partially implemented and revised dates for full implementation agreed.

3.3   The revised priorities that will apply from 1st October are explained further in Appendix B – Audit Definitions. High level actions will be actively monitored to ensure they are implemented promptly.

4. *Summaries of completed audits with moderate or less assurance*

4.1 At the conclusion of an audit an assurance opinion of the system is reported. This reflects the effectiveness of control, compliance and organisational impact. These are explained further in Appendix B – Audit Definitions

4.2 Reviews which highlight there is only moderate of less assurance are reported to the Committee for awareness. No such audits have been issued this year to date.

Appendix A – Internal audit plan

East Cambridgeshire October 2016 – March 2017

Audit title	Status	Directorate	Qtr opened	Qtr closed	Profile days
Operational plan grand total					108
Key Financial Systems Total					38
Bank Reconciliations	Not started	Resources	Q4		6
Creditors (Accounts Payable)	Open	Cross cutting	Q3		10
Debtors (Accounts Receivable)	Not started	Cross cutting	Q4		5
Payroll	Not started	Cross cutting	Q4		5
Procurement Compliance	Open	Cross cutting	Q3		6
Treasury Management	Not started	Cross cutting	Q4		6
Non Fundamental Systems					8
Government Procurement Cards (Completion)	Open	Cross cutting	Q3		1
Rent Deposit Scheme Follow Up (Completion)	Closed	Operations	Q3	Q3	1
Safeguarding	Not started	Cross cutting	Q4		6
Risk Management Total					10
Risk Management Strategy	Not started	Cross cutting	Q4		10
Policies & Procedures Total					3
Debt Recovery Policy (Completion)	Open	Cross cutting	Q3		3
Anti-Fraud and Corruption Total					12
Fraud Response Plan (Completion)	Closed	Cross cutting	Q2	Q3	1
National Fraud Initiative	Open	Cross cutting	Q3-4	NA	6
Preventative & Pro-Active Fraud Work	Open	Cross cutting	Q3-4	NA	5
Transformation					20
Information Governance (Additional Work)	Open	Cross cutting	Q3		5
IT Project Implementation – Stage 1 Review	Not started	Cross cutting	Q3-4		15

Audit title	Status	Directorate	Qtr opened	Qtr closed	Profile days
Advice & Guidance Total					17
Committee/CMT Reporting/Audit Planning	Open	Cross cutting	Q3-4	NA	5
Follow-Ups of Agreed Actions	Open	Cross cutting	Q3-4	NA	5
Manage West Suffolk Work in Progress	Open	Cross cutting	Q3-4	NA	7

Appendix B – Audit Definitions

There are three elements to each internal audit review, and an assurance opinion is provided against each element at the conclusion of the audit. The following definitions are used by Internal Audit in assessing the level of assurance which may be provided against each key element, and in assessing the impact of individual findings:

Control Environment Assurance

Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place which mitigate the risk of those objectives not being achieved.

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance

However, controls are not always complied with, which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to SMT along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
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.

Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks.

For ease of reference, we have used a high/medium/low system to prioritise our findings, as follows:

H	Failure to respond to the finding has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss. The finding is critical to the system of internal control and action be implemented immediately.	M	Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss. The finding has a significant effect on the system of internal control and action should be implemented as a matter of priority.	L	The finding is important to maintain a reasonable system of internal control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently. Management should review, make changes if considered necessary or formally agree to accept the risks.