

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Corporate Manager – Internal Audit	Report Number: JAC/17/26
To: Joint Audit and Standards Committee	Date of meeting: 14 May 2018

ANNUAL INTERNAL AUDIT REPORT 2017/18

1. Purpose of Report

- 1.1 The purpose of this report is to inform Councillors of the work undertaken within the Internal Audit Service for 2017/18 and provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

2. Recommendations

- 2.1 That the contents of this report, supported by Appendix A, be noted.

3. Financial Implications

- 3.1 There are no direct financial implications arising from this report. All Internal Audit recommendations must be considered in terms of their cost effectiveness.

4. Legal Implications

- 4.1 There are no direct legal implications arising from this report.

5. Risk Management

- 5.1 This report is not linked with any of the Councils' Significant Business Risks. The key risk, however, is set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective. As a result each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.	Unlikely 2	Bad 3	Councillors receive and approve the internal audit work programme and other reports on internal controls throughout the year. The work programme is based on an assessment of risk for each system or operational area.

6. Consultations

- 6.1 The 2017/18 Internal Audit Plan was approved by the Joint Audit and Standards Committee on 13th March 2017 (Paper JAC100), having previously been endorsed by the S151 Officer and the Senior Leadership Team.

- 6.2 During preparation this report has been shared with both Chairs of the Joint Audit and Standards Committee; Cabinet Lead Members for Organisational Delivery; the Senior Leadership Team, including the Section 151 Officer and the Assistant Director, Law and Governance and Monitoring Officer.

7. Equality Analysis

- 7.1 There are no equality implications with this report.

8. Shared Service / Partnership Implications

- 8.1 The overall approach has been to develop a single shared model for internal audit delivery and management for both Councils.
- 8.2 The Internal Audit delivery builds on past joint working facilitating the integration of the service with the aim of reducing costs and increasing capacity and resilience. It enables both Councils to be in a position to improve service delivery through advocating, supporting and reviewing system processes and outcomes.

9. Links to Joint Strategic Plan

- 9.1 The delivery of a comprehensive Internal Audit service supports the Council objectives, in particular:

An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons.

However, the internal audit coverage is designed to support all five of the Councils' strategic themes.

10. Key Information

- 10.1 Requirement of Internal Audit - Public Sector Internal Audit Standards (PSIAS)

The PSIAS require the Corporate Manager – Internal Audit to report periodically to senior management and this Committee on Internal Audit's performance relative to its Internal Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

A further requirement is the 5 year review by an external party of the effectiveness of the Internal Audit delivery. This review took place in February 2018 and the External Assessor identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. The team were commended for their structured and focussed approach. Auditees clearly value their input, requesting reviews, consultancy and their advice.

This is a fantastic outcome for the team and the Councils who can confidently place reliance and assurance on the work carried out. The Corporate Manager for Internal Audit would like to take this opportunity to thank all the officers and Members involved in the review.

As part of the preparation for the 2018/19 Internal Audit Plan, auditors engaged with senior management to identify their view of the coming year's risks linked to the Joint Strategic Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions. (Details are contained in the 2018/19 Internal Audit Plan – 12th March 2018 JAC/17/20).

- 10.2 As the Councils' Delivery Programme continues and re-shapes and transform its services the demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities continues. The Corporate Manager – Internal Audit monitored requests, with a risk based approach, for the re-allocation of Internal Audit resources from the approved 2017/18 Internal Audit Plan. This Plan has had to be further reviewed subsequent to the loss of a full-time member of the Internal Audit Team. This was offset in part by increasing the hours of one auditor. The Corporate Manager – Internal Audit and the Councils' S151 Officer considered that this realignment of resources did not detrimentally impact on the overall audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit for the present period.
- 10.3 There was due consideration in conducting this Year's audits to ensure that Internal Audit maintained its objectivity and independence. As further demonstration of organisational independence, the Corporate Manager – Internal Audit can confirm that there has been no inappropriate scope or resource limitations placed upon him.
- 10.4 In line with the Councils' Internal Audit Charter the work was conducted to ensure that it delivers against the Public Sector Internal Audit Standards (PSIAS) and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the work conducted covered the following activities:
- Governance processes
 - Monitoring
 - Ethics
 - Information and Information technology governance
 - Risk Management
 - Fraud management
- 10.5 Audits conducted (as opposed to Audit investigations) are also split into two types, Fundamental and non-Fundamental (Risk Audit) reviews. Historically, Fundamental reviews had been conducted in the latter half of the financial year to meet with External Audit testing requirements.
- 10.6 This year all Internal Audit work has been associated with the Councils' five strategic themes and the attached report, Appendix A, provides a summary of the work undertaken by theme. This work contributes to the 2017/18 overall Internal Audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit, as required by the Accounts and Audit (England) Regulations 2015.
- 10.7 Based on the findings of the managed audits, the assurance mapping exercise and corporate reviews conducted throughout 2017/18, it is the opinion of the Corporate Manager – Internal Audit that each Council's governance, risk and internal control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are, on the whole, 'Effective'. (Systems described offer most necessary controls)

11. Appendices

Title	Location
Appendix A - Overview of Internal Audit Work	Attached

12. Background Documents

12.1 There are no further documents.

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Appendix A

Overview of Internal Audit Work 2017/18

1. Introduction

- 1.1 The work completed by Internal Audit for the Financial Year 2017/18 is reported here to the Joint Audit and Standards Committee.
- 1.2 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013, were revised on 1 April 2016 and have been further revised on 1 April 2017. The standards require periodic self-assessments and an independent assessment, by an external source, every five years.

This was Babergh and Mid Suffolk District Councils' audit team's first such review. The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

The review was carried out through a process of interview and document review. Five audits and two consultancy pieces of work were reviewed during the 2016/17 and 2017/18 financial years. In addition, key documents were examined including the Charter and all audit reports to this Committee over the last two years.

The External Assessor identified **no areas of non-compliance** with the standards that would affect the overall scope or operation of the internal audit activity. **The team were commended for their structured and focussed approach. Auditees clearly value their input, requesting reviews, consultancy and their advice.** A few minor areas were identified where the standards have not been followed. The External Assessor made some practical and pragmatic recommendations to address these. The Corporate Manager – Internal Audit agreed an action plan with the External Assessor and these are currently being worked on.

2. Internal Audit Activity

- 2.1. The majority of Internal Audit reviews undertaken in the year were reported to management as “Effective” or “High Standard”.

Internal Audit discuss the focus of the brief with Management prior to the start of the audit work. For some audits specific focus was made on key areas of concern and procedures where management were considering structural change. These reviews have returned an audit opinion on the control environment of “Ineffective”, and audit continue to support service managers with refining and developing controls. These audits were:

1. Fees and Charges (Management Information for decision making)
2. General Ledger (Reconciliation processes)
3. Receivables / Debtors (Debt Management)
4. General Data Protection Regulation (GDPR)
5. Payroll (IR 35 processing)

These are immediately summarised here, and included in Annex A

2.1.1 Fees and Charges (Management Information): Internal Audit Opinion: “Ineffective”.
This audit outcome was reported to JASC in November 2017, JAC 17/12.

Key Risk	Issue Raised	Management Response
<p>Councils do not maximise income</p> <p>Councils do not deliver services in a cost effective manner</p> <p>Councils overlook market opportunities.</p>	<p>The allocation of costs to cost centres is undertaken in a general manner, making it difficult to accurately determine appropriate costs against income generation. No contribution or profit can be determined by product and effective evaluation of levels of service require too many assumptions to be made.</p>	<p>“The findings, whilst not unknown by Finance due to Business Partner meetings, provided confirmation of identified weaknesses within the budgetary control environment which need further strengthening”.</p>
<p>Status at report date: A more robust support and challenge by Finance Business partners and Corporate Manager Finance is introduced.</p>		

2.1.2 Information Governance - General Data Protection Regulation (GDPR). – Internal Audit Opinion: “Ineffective”.
This audit outcome was reported to JASC in November 2017, JAC 17/12.

Key Risk	Issue Raised	Management Response
<p>Councils are unable to comply with requirements and face censure or fine.</p>	<p>The Councils are under staffed and require resource in completing, what can be anticipated to be, a large body of work up to May 2018 and which will need to be passed to a competent role to maintain and sustain after implementation.</p>	<p>Subsequent to the Audit Report the SLT have approved a Project Manager to assist / support implementation of GDPR.</p>
<p>Status at report date: Resources are being applied to the project, with regular update to, and review by, SLT. A program of training and communication is in place to move the project forward. Internal Audit have met with the management of the project and will commence a further review of progress during April 2018.</p>		

2.1.3 General Ledger: Internal Audit Opinion: “Ineffective”

Key Risk	Issue Raised	Management Response
Control accounts and reconciliations are mismanaged or ineffective and misposting may go unnoticed.	Material arrears in key reconciliations undermine controls.	Staff resources are in place and being trained. These will address the backlog.
<p>Status at report date: Reconciliations are now complete and now tidying up and completing records. Finance staff are in the process of retrospectively updating the S151 report for year 17/18.</p>		

2.1.4 Receivables / Debtors: Internal Audit Opinion: “Ineffective”

Key Risk	Issue Raised	Management Response
Poor, or lack of, management information on the application of the Debt Recovery policies result in customers with poor credit history ratings continuing to be serviced, and /or accounting report figures that are incorrect.	Debt management has not received as much attention from management and staff over the long term, as is necessary to maintain sound debt recovery and credit management support to Services.	A prolonged period of sickness absence has stalled progress on the planned debt recovery project, however work has now commenced on this project. The findings and recommendations from this audit report will help to inform this, along with support from the audit team and shared legal services. The Corporate Manager Finance is confident that they will be in a more robust position in quarter 2 with the Council's aged debt and recovery procedures.
<p>Status at report date: Capture of approach has commenced; a plan of action formulated, agreed and being acted upon. Internal Audit have built time into the 18/19 plan to support this major review of delivery.</p>		

2.1.5 Payroll (IR 35 processing)

Key Risk	Issue Raised	Management Response
Penalty or censure arising from incorrect treatment for contractors and temporary employees assessed as inside IR35.	A lack of awareness of the legislation by Corporate Managers. Procedures require clarity on roles and responsibilities.	Management are presently reviewing and discussing actions with audit.
<p>Status at report date: Once procedures have been enhanced audit will revisit and test the records for compliance with the Revenue requirements.</p>		

2.2 As well as conducting audit reviews Internal Audit had significant involvement within the period in a variety of different Council activities/issues, which included:

Section Reference:

- 3 Council Governance**
- 4 Risk Management**
- 5 Probity**
- 6 Audits conducted**
- 7 Business support activities**

3 Council Governance

3.1 The Corporate Manager–Internal Audit continues as a lead in the Information Governance management across the Councils, as an attendee of the Information Governance Group. An aim is to outline an information governance framework that ensures both Councils treat information as a valuable asset, maintain compliance with relevant UK and European Union legislation, for example the Data Protection Act 1998 (DPA) and meet other governance requirements. The DPA will be replaced on 25 May 2018 by the Information Governance General Data Protection Regulation (GDPR).

An audit review of the Councils' ability to comply with the requirements of the GDPR has been undertaken, and is summarised in section 2 and Annex 1.

3.2 Annual Governance Statement (AGS)

Internal Audit has led on the production of the AGS which was completed again as at the end of the financial year 2017/18, presented today to this Committee 14th May 2018, alongside an Assurance Mapping exercise across the Councils designed to identify gaps in good practice and aid the 2018/19 Internal Audit planning process. The outcome of the planning was reported to this Committee on 12th March 2018 (Paper JAC17/20).

3.3 All Together Programme Board

The Corporate Manager – Internal Audit attended in the capacity of the Assurance Manager.

3.4 Health and Safety Working Group

The Corporate Manager – Internal Audit is called to attend this meeting at appropriate times to provide, and ensure, a robust process exists for risk identification and information gathering.

3.5 Statutory Officers Working Group

The Corporate Manager – Internal Audit attends this meeting when required, should Governance matters arise that require appropriate professional determination.

3.6 Deputy Monitoring Officer

The Corporate Manager - Internal Audit undertakes the role of Deputy Monitoring Officer for the Councils, with the specific duty to ensure that the Councils, their officers, and Elected Councillors, maintain the highest standards of conduct in all they do, pursuant to Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.

4 Risk Management

- 4.1 Internal Audit continues to maintain and facilitate development of the Significant Risk register with Councillors and Senior Management. As a living document Internal Audit regularly review the content with management and Cabinet in November 2017. The End of Year Significant Risks register is reported to this Committee. (14th May 2018). This report also includes areas where we have strengthened the Risk Management process.
- 4.2 Audit have provided support to Corporate Managers in the development of their operational risk registers.

5 Probity

- 5.1 Full details of the anti-fraud and corruption work undertaken during the year was reported to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption'. The last report was for 2017/18 and presented on 12th March 2018 (Paper JAC17/21).
- 5.2 The Councils' Protection of Financial Crime Policy has been revised and updated (to reflect the amendments by the Serious Crime Act 2015 and the Public Contracts Regulations 2015) and published on the Councils' intranet, 'Connect'. These changes are insignificant and have no impact on the content of the policy.
- 5.3 The data requirements and data specifications for the 2016/17 National Fraud Initiative (NFI) exercise are completed and successfully uploaded using the NFI's secure electronic upload facility.

The release of matches of information across all the contributor's data is managed on a risk based approach by the system users, supported by Internal Audit. The system users access their data from the NFI and can investigate, in conjunction with the matched partner / contributor, to evaluate the potential fraud indicated by the match.

6 Audits conducted

- 6.1 In line with the 2017/18 Internal Audit Plan reporting of outcomes is associated with all five of the Councils' strategic themes. The audits undertaken during the Financial Year are detailed in Annex 1.
- 6.2 In line with the findings on the external review Audit clients have expressed a high level of satisfaction with the service delivered, as detailed in Annex 2.

- 6.3 There was due consideration in undertaking this work to ensure that Internal Audit maintained its objectivity and independence. The prioritisation of special work took account of the requirements of the approved audit plan.

Objectivity was maintained in that the auditors had no personal or professional involvement with or allegiance to the area audited. The determination of appropriate parties to which the details of an impairment to independence or objectivity is disclosed was dependent upon the expectations of the activity and was expressed during the planning of each audit.

Annual declarations of interest were signed by each auditor.

7 Business support activities

- 7.1 Internal Audit aim to retain close working relationships with colleagues, and have provided support and advice on proposed system and control developments, enhancements and changes, including budgetary control; systems administration; project and asset management; procurement; and health and safety.

7.2 Business Continuity

Internal Audit has worked with business managers to update the Councils' and individual departmental business continuity plans in preparation for the move to Endeavour House. The current plans for Needham Market and Hadleigh Offices, along with the plan for Endeavour House, are published on Connect. The Plans are "corporate" documents which give guidance to senior managers tasked with leading recovery activities and prioritising resources in the event of an incident.

The March 2018 Yellow Snow warnings experienced across the County tested and successfully demonstrated the Councils' resilience to working remotely from Endeavour House.

8. Resources

As reported to this Committee in the Half Year Audit report, (contained in paper JAC 17/12) the Internal Audit team lost a full-time resource and one part-time member of staff temporarily increased hours by 11 hours per week to March 2018. This caused a reduction in the original audit plan of 126 days. The Corporate Manager – Internal Audit continuously reviewed the delivery of the plan to ensure that coverage and the consequent annual audit opinion were not compromised.

9 Professional Practice

9.1 Membership of audit bodies

It is important to keep abreast of best professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Suffolk Working Audit Partnership (SWAPs) and the Midland Audit Group.

9.2 Public Sector Internal Audit Standards (PSIAS)

The team have fully reviewed their working practices to ensure that our Internal Audit documents and processes comply with, and can be evidenced to, the PSIAS. This has resulted in a refining of the Internal Audit Charter Strategy; Internal Audit Services Manual; Internal Audit Risk Log; Quality Assurance and Improvement Programme; procedure notes; and working papers.

Subsequent to this exercise there are no actions outstanding, these documents are published on the Councils' intranet, 'Connect', and remain subject to regular review.

- 9.3 Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgements and recommendations. The Corporate Manager – Internal Audit (and Deputy Monitoring Officer) is also responsible for overseeing the Risk Management and Business Continuity arrangements across both Councils. Separate Audit Leads are assigned to these two disciplines which allows a degree of independence to be monitored through the Corporate Manager – Internal Audit (and Deputy Monitoring Officer). Each of these roles has an independent sponsor to champion reports and proposals. These are vested in the Assistant Director, Law & Governance and Monitoring Officer, for Risk; and in the Strategic Director, for Business Continuity.

10 **Conclusions**

Based on the findings of the managed audits, the assurance mapping exercise and corporate reviews conducted throughout 2017/18, it is the opinion of the Corporate Manager – Internal Audit that each Council's governance, risk and internal control environment provides assurance that the risks facing the Councils are addressed and financial administrative systems are, on the whole, 'Effective'.

ANNEX 1

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.1 Assets and investment				
6.1.1 Treasury Management	Policy, strategy, procedures and behaviours. Cash management, transaction processing, CHAPS and BACS processing, and reconciliation and oversight.	<p>Discrepancy in loan terms may go undetected.</p> <p>Performance may be poor and go undetected.</p> <p>Errors and anomalies would go undetected.</p> <p>Inappropriate arrangements may be used</p>	<p>No significant or undetected material errors or omissions were determined in banking, investment or ledger postings.</p> <p>Although the monthly S151 reporting does not show levels of interest receivable and payable, this is covered through monthly meetings with the Finance Business Partners following discussions with the Assistant Financial Services Officer.</p> <p>No material control issues were identified during the audit, for BACS or CHAPS payments.</p>	Effective
6.1.2 Receivables (Focus on debt management, analysis and reporting)	The review was scoped with the Corporate Manager, Finance and was specifically focussed on debt management, analysis and reporting.	<p>Debtors procedures do not comply with legislation and the organisation's policies and procedures.</p> <p>Poor or lack of management information on the application of the Debt Recovery policies.</p> <p>Customer with poor credit history ratings continue to be serviced.</p> <p>Accounting report figures that are incorrect.</p>	<p>The Transaction team staff have reorganised to cover the long-term staff absence and have worked diligently to maintain the debtors service.</p> <p>Bad debt management has not received as much attention from management and staff over the long term, as is necessary to maintain sound debt recovery and credit management support to Services.</p> <p>Management recognise and accept Audit's findings and are putting in place an action plan to address these issues.</p>	Ineffective
6.1.3 Shared Revenue Partnership internal processes	Ipswich Borough Council Audit Team undertake review of Shared Revenues Partnership Key Controls, which provides the Corporate Manager – Internal Audit with assurance on the controls exercised over income processing. They have now issued their report for 2016/17.		<p>The report stated that no areas of weakness and/or non-compliance with existing controls were identified and therefore no recommendations have been made.</p> <p><i>(Good: All controls are being applied consistently and effectively. This means that all the control areas in the audit are being properly managed and the associated risks are being mitigated.)</i></p>	Good

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.1.4 Payroll (IR 35 processing)	Follow up previous audit recommendations IR35 - Governance - roles and responsibilities for ensuring compliance to IR35 legislation.	Lack of management awareness, or poor procedures result in penalty or censure arising from incorrect treatment for those assessed as inside IR35.	A lack of awareness of the legislation by Corporate Managers. Procedures require clarity on roles and responsibilities. Follow up testing of 16/17 audit has identified that there are still issues with individuals claiming 'long term' overtime which is contrary to the Overtime Policy.	Ineffective
6.2 Business Growth				
6.2.1 Fees and Charges (Focus on Management Information for decision making)	Review the Service areas <ul style="list-style-type: none"> Setting of fees and charges mechanisms and strategy Review of regulatory constraints and opportunities Market challenges/competitor analysis Cost recovery 	Councils do not maximise income Councils do not deliver services in a cost effective manner Councils overlook market opportunities	No council service areas were identified where statutory products and services could be developed. The allocation of costs to cost centres (both direct and indirect) are undertaken in a general manner. This poor allocation means it is not possible to accurately determine appropriate costs against income generation, and therefore no contribution or profit can be determined by product. This makes effective comparison with external organisations' levels of service meaningless, as too many assumptions would need to be made on the available data. The auditee response: "The findings, whilst not unknown by Finance due to Business Partner meetings, provided confirmation of identified weaknesses within the budgetary control environment which need further strengthening. A more robust challenge by Finance Business partners and Head of Finance will commence."	Ineffective
6.2.2 Payables	Data Integrity and System Security; Requisitions; Invoice Payment; and Procurement Cards.	The Council pays for goods and services that have not been received. Fraudulent or duplicate payments could be made.	Data Integrity and System Security controls in Integra are sound and demonstrable. Requisition controls are sound and demonstrable	Effective

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.3 Community capacity building and engagement				
6.3.1 Safeguarding	Communities Safeguarding Leads approached SLT with the recommendation to make this mandatory training for all staff. The audit was commissioned by the Assistant Director – Communities and Public Access to review.	Safeguarding incidents undermine residents' safety and wellbeing Lack of staff and member awareness results in a failure to act Failure of the Councils to meet statutory responsibilities leads to regulatory sanction	Consistently positive feedback on an annual basis from the Suffolk Safeguarding Children Board BMSDC's regulatory compliance has received very good assurances via the S11 reports The Communities Safeguarding Leads are actively networking within other Councils to ensure the highest standards of training and awareness are met No inclusion in Community Strategic Delivery Programmes or Strategic objectives, despite investment Member training is not mandatory No regular reporting lines	Effective
6.3.2 Community Infrastructure Levy (CIL)	Commissioned by the Assistant Director, Planning for Growth, arising from concerns surrounding complaints from customers	Potential loss of income or failure to apply benefits, fine or censure	Official complaints logged with the councils relating to the CIL process are: 2 for 2016/17 and 0 thus far for 2017/18It is Internal Audit's opinion that the CIL team even though working under challenging conditions with increasing numbers of applications, are providing a good service to customers and also pro-actively looking for ways to improve where possible	Effective
6.4 Housing Delivery				
6.4.1 Open Housing project. (OH)	Prior to the project completion for April 2018 there is a requirement to follow up on a paper submitted to the JASC members in January 2018, following an action arising at JASC November 2017.	The Project introduces changes to a core system and processes, with associated material risks. Covers the specific Housing Repairs and Planned Maintenance and Servicing activity and does not consider other aspects of the OH operation, such as subsequent IT support and management.	This project has introduced formal discipline with associated framework and documentation, and created a legacy, with a library of process and procedure notes, leaving the Service with a sound platform. The Project Manager's proposed Exit Document, seen only in draft, provides a concise synopsis of the deliverables, successes, issues and outstanding work.	High Standard

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.4.2 Disabled Facilities Grants	A declaration, required for each of Babergh and Mid Suffolk, regarding the use of Disabled Facilities Grant's has been completed and submitted to the Department for Communities and Local Government.	Inappropriate application of, or non-compliance with requirements for, allocation of grant monies.	An audit review of applications for appropriateness and compliance was made prior to the approval of the return and 'signed off' by the Corporate Manager – Internal Audit.	No formal opinion will arise from this.
6.4.3 Housing Rents	Rent Calculation; Income Collection; Arrears Management; Adjustments; Starting and Ending Tenancies; and Security. Rent payments where tenants are in receipt of UC	Rents may not be collected for all relevant properties. Rent accounts not updated for increases and changes impacting appropriate recovery action. Universal Credits (UC) are not promptly allocated to Tenants' accounts (as remittances from DWP are omitted) and arrears may accumulate as a result.	The Fixed Asset Register reconciles to the Housing Revenue Account (HRA). HRA and Open Housing (OH) Capita reconciles and is verified by OH Systems Officer and HRA Accountant. Rent expected by Housing according to their records is banked and MFS balances. Unallocated entries are investigated daily in the suspense account for both councils and cleared promptly.	Effective
6.5 An enabled and efficient organisation				
6.5.1 Information Governance General Data Protection Regulation (GDPR)	Determine Council's readiness to comply with requirements. GDPR will come into force in the UK on 25 May 2018 and replace the Data Protection Act 1988. The new regulations are an evolution of existing UK data protection law and aim to harmonise data protection laws across the European Union and put individuals in control of their data.	The Councils appear under staffed and require resource in completing, what can be anticipated to be, a large body of work up to May 2018 and which will need to be passed to a competent role to maintain and sustain after implementation to avoid fine or censure.	From the discussion and review of the Councils' readiness to implement the regulations we can conclude that we appear to be 'behind the curve' in our ability to meet the May 2018 deadline. Whilst this review was not reported in standard Internal Audit format the report found that majority of 'Steps to compliance' are 'Not implemented or planned'. Subsequent to the Audit Report the SLT have approved a Project Manager to assist / support implementation of GDPR Internal Audit have met with the management of the project and will undertake a further review of progress during April 2018.	Ineffective

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.5.2 General Ledger	<p>The review was scoped with the Corporate Manager, Finance and was specifically focussed on:</p> <p>Security and Coding Structure; Operational framework; Feeder Systems; Journal and other transactions; Control accounts and reconciliations; and Year End Procedures.</p>	<p>The system is not utilised to its full potential reducing efficiency and increasing errors.</p> <p>Data is corrupted or fraud obscured as direct input to the GL may be unauthorised.</p> <p>Control accounts and reconciliations are mismanaged or ineffective and Misposting may go unnoticed.</p>	<p>At the beginning of the financial year there was an intention in the finance plan to implement the Integra Cash Module to both strengthen reconciliation processes and streamline working practices. Following on from delays in the Capita Upgrade to Integra2 and the loss of 2 of the 3.5 FTEs in the team the decision was made by Finance Management to hold this implementation until 2018/19.</p> <p>A further consequence of the staff changes was the regrading of the roles and appropriate appointments, which were not completed until October 2017, which led to the S151 report returning from the Reconciliation team to the Accounts team.</p> <p>The change of cheques administrative procedures from Customer Services to Finance during the move to Endeavour House has further challenged resources and processing capabilities (subject to a separate audit - Income Collection) Additionally, key elements of the Civica Icon Cash receipting system were removed for an undisclosed period for SCC IT upgrades.</p> <p>Consequent on these material issues reconciliations fell into lengthy arrears, the Monthly ledger close process was interrupted, and the Section 151 report was incomplete.</p>	Ineffective
6.5.3 Capita Financial Systems Upgrade	This upgrade was undertaken in conjunction with Capita support, who host the BMSDC system and platform.	No material risks identified to service delivery, cash receipting and payment mechanisms, with little impact expected on the processes outside of the Integra Systems.	<p>This upgrade is one applying to the 'front end' only. Data Tables and interfaces should not be impacted by this realignment.</p> <p>The upgrade was successfully launched on 28th June 2017.</p>	Effective
6.5.4 Income Collection (Cheque Processing)	Concerns were raised by the Professional Lead - Growth and Sustainable Planning, that the posting of cheque receipts were significantly delayed since the location to Endeavour House. Internal Audit undertook a control	<p>Loss or misappropriation of income.</p> <p>Incomplete transaction trail.</p> <p>Incorrect banking occurs and remains undetected.</p>	Whilst there are some concerns over the management of cheques in some service areas, now being addressed, the level of cheque receipts, and hence the control risk, are deemed to be low. The major services receiving cheques were found to be operating successfully.	Effective

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
	review of processes for the acceptance of cheques within BMSDC.			
6.5.5 Termination Letters	At the request of the Chief Executive, Internal Audit were asked to carry out a review of the process undertaken to issue 515 staff letters where 18 (3.5%) were found to be incorrect	<p>Data Protection breach from release of personal data causing possible distress</p> <p>Potential financial penalties and/or damaged reputation if found by the Information Commissioners Office to not be properly meeting our responsibilities under the Data Protection Act</p>	<p>There appeared to be no pattern or obvious reason for the error. The sample testing undertaken by the business to check the accuracy of the addresses on the letters to the spreadsheet was believed to be successful as they were cross checked to the incorrect (but system generated) spreadsheet and not the raw data from iTrent.</p> <p>From a total of 515 staff, the 18 incorrect letters represent 3.5% of the workforce population issued with these letters.</p> <p>Although a cause has not been identified on this occasion, identification of any future occurrences could be picked up by undertaking a reasonable sample check, subject to levels of resources, of personal data between the individual letters and the raw data from the iTrent system for any future mail merges of this nature. Consideration to involving IT expertise may also be contemplated.</p> <p>The Senior Information Reporting Officer (SIRO) should report these breaches to the Information Commissioning Office (ICO)</p>	No formal opinion will arise from this
6.5.6 Electoral Expenses	The Assistant Director of Corporate Resources, s151Officer; and the Assistant Director of Law & Governance and Monitoring Officer commissioned a review of processes and associated risks following potentially incorrect and untimely payments of BMSDC election expenses.	Incorrect and untimely payments of BMSDC election expenses result in censure, adverse press, and loss of assets.	It is Internal Audit's opinion that no material system or procedural error was made in the processing of Electoral payments in 2017.	No formal opinion will arise from this.

AUDIT	PURPOSE OF AUDIT	KEY RISK(S)	SUMMARY OF KEY FINDINGS	AUDIT OPINION
6.5.7 Scanning	Internal Audit provided advice and assistance to Officers in establishing scanning protocols and guidance once staff relocate to Endeavour House.	Loss or mis use of key and sensitive data.	Such protocols include handling of sensitive post, tender documents, etc, in line with good practice.	No formal opinion will arise from this.

Poor: Systems described are largely uncontrolled, with complete absence of important controls. Most controls examined operate ineffectively with a large number of non-compliances and key improvements required.

In effective: Systems described do not offer necessary controls. Audit tests showed key controls examined were operating ineffectively, with a number of improvements required.

Effective: Systems described offer most necessary controls. Audit tests showed controls examined operating effectively, with some improvements required.

High standard: Systems described offer all necessary controls. Audit tests showed controls examined operating very effectively and where appropriate, in line with best practice

Annex 2 Performance review 17/18 & 16/17

#	Performance Indicator	Target	16/17	17/18
1	100% audit recommendations accepted by management.	90%	100%	100%
2	% high priority recommendations being implemented.	100%	100%	100%
3	100% of audit reviews completed in target or prior approved extension by Corporate Manger – IA.	100%	100%	100%
4	Number of days between the issue of brief and start of fieldwork.	10	9	7
5	Number of days between the completion of audit fieldwork and issue of draft report.	10	8	6
6	Number of days between the issue of the draft and final report.	15	12	16
7	Completed to the satisfaction of the auditee.	80%	100%	100%
8	Percentage of the audit plan delivered.	90%	91%	71%

Note:

1. The time between draft and Final has been influenced by the discussions on management actions arising from audits.
2. The percentage of plan delivered is based on the descoped audit plan presented to the November 2017 JASC following reduction in resources.

- Time charged to Risk Management delivery was more than originally planned
- Deputy Monitoring Role and investigations were more than planned
- More time was spent discussing improvements based on audit opinions than previously envisaged, resulting in better service to the Council

Customer Satisfaction		16/17	17/18
Before the Audit			
Were you given adequate notification of the audit?		100%	100%
Were you informed of the audit objectives?		100%	100%
Were you able to discuss with the auditor the risks you felt should be addressed?		100%	100%
Carrying out the Audit			
Did you feel that an environment of trust and confidence was achieved?		100%	100%
Was the audit carried out in an efficient and timely manner?		100%	100%
If not were you kept informed of the progress towards final report?		100%	100%
Did the auditors work in a professional and helpful manner, with appropriate integrity?		100%	100%
Reporting the Audit			
Were you given the opportunity to discuss the findings with the auditor throughout the audit as well as at draft report stage?		100%	100%
Were the findings adequately supported by evidence?		100%	100%
Were the recommendations in the final report practical?		100%	100%
Was the report issued in a timely manner following testing?		100%	100%
Will the audit improve internal controls?		100%	80%
Will the audit enable you to improve your service		100%	80%
Overall, how would rate the audit?			
	Excellent	70%	80%
	Good	30%	
	Satisfactory		20%

The client responses from both the 2016/17 and 2017/18 illustrate high level of customer satisfaction. The 2017/18 figures are presently based on a limited response.

Supported by findings and conclusion from the recent external review.

Draft Circulation:

- Suzie Morley Chair of the Joint Audit and Standards Committee – Mid Suffolk
- Frank Lawrenson Chair of the Joint Audit and Standards Committee – Babergh
- Derek Davis (Cabinet lead for Organisational Delivery – Babergh)
- Glen Horn (Cabinet lead for Organisational Delivery – Mid Suffolk)
- Katherine Steel Assistant Director, Corporate Resources
- Emily Yule Assistant Director, Law & Governance and Monitoring Officer