

Management Summaries of Completed Audit Assignments

Appendix 2(1)

Report No. BRK/12/01 – Final Report issued 4 April 2012

Audit Review of Environmental Planning and Building Control

Audit Opinion

Limited Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- Weaknesses in the system of internal controls are such as to put the client's objectives at risk.
- The level of non-compliance puts the client's objectives at risk.
- The opinion is based on having raised eight medium priority recommendations. There are also three recommendations that remain outstanding from the previous review and two that have been superseded in this report.

Summary of Findings

Contract Monitoring

Staff were found to hold appropriate qualifications and have received training to uphold the regulatory responsibilities in both the decision making process and monitoring of the contract with Capita Symonds. This had been an issue previously although has now been addressed by using suitably qualified and experienced staff from South Holland District Council; as a consequence of the shared management arrangements between the two Councils effective from April 2011.

Whilst the contract with Capita Symonds does provide some high level commentary on the purpose of the Service Planning and Performance Group' – now referred to as the Contract Monitoring Board (CMB), there is a need to provide up to date terms of reference for the CMB outlining in more detail the key aspects of the contract to be monitored and the mechanisms and resources for doing so. Presently, key aspects of Capita Symonds' performance, in particular through Key Performance Indicators (KPIs), are being monitored to ensure services are provided to agreed standards. However, although results are set out in writing and are reported regularly to the CMB, outcomes are taken on face value with no detailed validation to confirm the accuracy of the information provided. Furthermore, there is no check (by the Council) on Capita Symonds' own internal quality checks which would help provide for improved levels of quality control assurance.

The Council is monitoring growth income as per the terms of the contract to ensure income figures are correctly stated. However, reports provided by Capita Symonds lack sufficient audit trail and are not challenged by the Council in order to confirm their accuracy. Although the growth income threshold had not applied at the time of reporting, figures provided by Finance in the monitoring of this income indicated that it is likely to apply soon. There have been no major contract variations within the previous 12 months.

Business Planning

The draft business plan for 2011/12 was prepared and submitted in accordance with the timescales specified in the contract; having been aligned to comply with the Council's own service/business planning from April – March. We confirmed that planning for 2012/13 was in progress.

Progress with delivery of the plan is monitored by the CMB. Refer to specific issues reported above under contract monitoring.

Payments/Income

Payments (Unitary Charges) made to Capita Symonds for works carried out are accurate, timely, appropriately authorised and in accordance with contractual requirements. However, we established that invoices submitted quarterly to the Council by Capita Symonds, for additional contractual payments as a consequence of reaching set thresholds for processing major planning applications, are not subject to check by a suitably qualified officer in order to confirm that the information (lists of major planning applications) in support of each invoice is correct.

Planning Applications

The Council has clear policies and procedures covering the process for pre-application consultations, receiving and managing planning applications. Set standards, through KPIs, for dealing with planning applications exist to ensure that the timelines are met.

All relevant documentation was found to be received in respect of planning applications.

Issues with secure access to Ocella still exist from the previous review (BRK/11/01). Funding was agreed between the Council and Capita Symonds during this audit for system enhancements. However, the previous recommendation (No 6) still remains outstanding since no further evidence was available to confirm whether agreed funding will be used to address these weaknesses. Progress will therefore continue to be monitored through our cyclical follow up checks with implementing outstanding recommendations – see follow up section below.

Decisions made for planning applications are in accordance with regulatory guidance and levels of delegated authority and are clearly documented. This is now performed by suitably qualified officers through the shared services arrangements with South Holland District Council.

Decisions and the reasons for decisions are clearly recorded and the information is available to the public.

Fees charged are documented in the agreement, in accordance with set scales.

A recommendation (No 5) raised in the previous report in respect of reconciling planning income to the general ledger is to be replaced since the main issues/risks to both Capita Symonds and the Council have been included in a new recommendation. This relates to the checking of major planning applications, which impacts on additional payments to Capita Symonds under the payment mechanism detailed in the contract. Capita Symonds does not receive income directly, in relation to services provided on behalf of the Council; instead, all income is received through the Council's receipting systems/bank. Reconciliation of income received by the Council, to the general ledger, was also covered in the audit on Remittances issued in November 2011.

Planning Enforcement

The Council has a separate Enforcement team comprising two Enforcement Officers; one of these officers is full time and one works three days per week. Activities are covered by clear policies and procedures, having been produced.

A previous recommendation (No 9) relating to planning enforcement lists being signed off by both Enforcement Officers could not be verified since documentary evidence is not retained. Further observations relating to issues over monitoring of enforcement action were noted as part of this review, in particular, that daily activity of the Enforcement Officers is not subject to independent check and there was no evidence of any internal quality checks being performed

by Capita. We also noticed the KPI to resolve enforcement cases within 12 months of receipt with a target of 90% was reported as being regularly achieved. However, this indicator does not act as an incentive to address / report harder to resolve cases which may take longer than 12 months to resolve, with resources instead being allocated to resolve less complicated cases thereby reporting better performance.

The previous recommendation relating to signing planning enforcement lists is superseded in this report by recommendation 5.

System (Ocella) enhancements are required for enforcement actions to be diarised on Ocella rather than in Outlook. This issue remains outstanding from the previous audit review.

Land Charges

There is no accurate reporting tool for monitoring the timeliness of registering land search requests. We undertook testing from hard copy records and established that in over half the 20 cases tested, the publicised target of 10 working days to process the request was not met.

The Land Charges Register is still predominantly in hard copy format (card system). Issues with migrating to a computerised system have been an ongoing issue since 2002 which predates the outsourcing of the service to Capita Symonds. Data has been scanned and is currently being validated prior to arranging for the information to be uploaded on to Ocella. However, the funding of this project has been an issue between the Council and Capita Symonds. At the Contract Monitoring Board meeting on 19th December 2011, the Council and Capita Symonds reached an agreement to provide match funding for improvements to Ocella. At the time of reporting, it was not clear how or exactly where this funding will be allocated.

Given the above, testing of new registrations was limited to a walkthrough check. Similarly, testing of amendments and deletions to the register was also limited to hard copy records. No issues were found although a recommendation has been made for the register to be computerised and for improved reporting tools for interrogating the system.

Income is accurately accounted for and expenditure is authorised and controlled including sums payable to Norfolk County Council.

Although fees charged are in accordance with set scales, we were unable to confirm that an increase in land charge fees of £5 across the board for 2011/12 to cover the increased costs of an Ocella upgrade which was passed on in full to the public, had been subject to the requisite level of delegated approval either through the Blue Form (under the scheme of delegations) process or as part of the budget setting process when reviewing fees and charges for the forthcoming year.

Performance Management

Specific details on performance management are covered within the individual sections above.

Risk Management

Risks are detailed in the Service Delivery Plan (Business Plan) with mitigation plans monitored through the Contract Monitoring Board meetings.

They are also monitored through the Council's Performance system (TEN/Performance Plus) although during 2011/12, due to the impact of the introduction of the new shared management arrangements, risks were monitored through one to one meetings with the Governance and Performance Accountant and the respective services areas. An audit of Change Control and Corporate Governance (BRK1213) was completed in March 2012 where the Council's arrangements for monitoring risk were evaluated; the issue of the draft report for which is imminent.

Previous Recommendations

Five of the previous 10 recommendations were confirmed as having been implemented during the course of the review.

Of the remaining five recommendations, three (numbers 6, 8 and 10) will continue to be monitored through internal audit's cyclical follow up checks with ownership of those

recommendations changing to the Building Control and Environmental Health Manager and the Planning Manager under the shared management arrangements with South Holland District Council. The three recommendations that remain outstanding have been referred to above, in particular, enhancements required to Ocella to restrict user access and to align them with officer responsibilities for processing planning applications (previous recommendation 6), allowing follow up dates to be recorded and reported on for planning enforcement actions (recommendation 8) and for monitoring key trigger points relating to s.106 Planning Agreements (recommendation 10).

In the case of the remaining two recommendations, previous recommendation 5 has been replaced by a new recommendation (number 4) as detailed above under the heading Payments/Income and previous recommendation 9 is to be replaced by a new recommendation (number 5) as detailed above under Planning Enforcement.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Contract Monitoring	Amber	Amber	0	3	0
	Business Planning	Green	**Amber	0	0	0
	Payments/Income	Green	Amber	0	1	0
	Planning Applications	***Amber	***Amber	0	0	0
	Planning Enforcement	Green	Amber	0	1	0
	Land Charges	Green	Amber	0	3	0
	Performance Management	****Amber	****Amber	0	0	0
	Risk Management	Green	Green	0	0	0
Total				0	8	0

** Relates to recommendations made under Contract Monitoring

*** Relates to previous recommendations still outstanding

**** Relates to recommendations made under Contract Monitoring, Payments/Income, Planning Enforcement and Land Charges

High Priority Recommendations

We have raised no high priority recommendation as a result of this audit.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/03 – Final Report issued 27 April 2012

Audit Review of Community Development

Audit Opinion

Limited Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- Weaknesses in the system of internal controls are such as to put the client's objectives at risk.
- The level of non-compliance puts the client's objectives at risk.
- The opinion is based on the fact that we have raised eight medium priority recommendations.

Summary of Findings

Contract Monitoring

The CCTV contract is aligned to the Council's corporate objectives, in particular 'to Develop Stronger Communities by working in partnership to combat crime and anti social behaviour'.

At the time of the audit review, there was no formal contract monitoring structure in place for monitoring the delivery of the CCTV contract.

The contract with AMS provides reference for reporting key performance indicators (KPIs). Evidence of informal monitoring of the contract was obtained through numerous e-mail communications between the Community Safety Officer and representatives of AMS and other key community based CCTV groups. It was noted that Community Development has had several changes in line management which has affected monitoring of the delivery of the CCTV contract. During the course of the review, the Council commenced a more structured review / monitoring process having had two liaison meetings with AMS; the first to agree terms for future monitoring arrangements with regular liaison meetings to be held forthwith and the latter to discuss more in depth reporting requirements going forward. A third meeting has been held since the completion of the audit fieldwork.

We also established that monthly KPI data submitted by AMS is not subject to robust verification and is taken more on face value, although items are discussed through ongoing communications between the Community Safety Officer and AMS as detailed previously. Although the outcomes of some KPI data is shared with the local CCTV community groups, there was insufficient evidence that this was a regular occurrence or that outcomes were reported to senior management within the Council, as standard.

There are no up to date written procedures that explain the processes to be followed when a request from a third party is received for supplying further CCTV coverage, including the undertaking of a formal viability assessment that helps ensure compliance with the Information Commissioner's Office (ICO) Data Protection CCTV Code of Practice and other good practice.

There is no independent checking of the outcome of the Community Safety Officer's assessments for agreeing to additional CCTV coverage.

The Council has developed its own CCTV Code of Practice, although this is in need of a review to help ensure it is compliant with relevant legislation and good practice guidance.

There is evidence of checks through the KPIs that notification is in place within CCTV zones to highlight that it is in use. The CCTV system is held in an appropriate environment with secure access. The Community Safety Officer checks to ensure all operators at the main control centre have the requisite Security Industry Authority (SIA) accreditation. All staff with access to the system, including the Community Safety Officer, are subject to annual Police checks.

Controls over the management of recorded material exist and use of these images with regards data stored on servers for permanent CCTV installations is effectively controlled. However, there are no checks to confirm that data recorded on SD Cards for temporary or redeployment of existing CCTV has been securely removed or that stocks/use of SD Cards is effectively controlled.

Invoice payments were found to be correct and reflected payment arrangements specified in the agreed contract.

Whilst there was evidence (mainly through e-mail communications) of the Community Safety Officer pursuing AMS for business leads, there was no accurate record of these leads being routinely pursued in order to meet income streams defined initially in the contract with AMS through their 'best endeavours..' or those subsequently specified in the AMS 'Business Development and Marketing Plan for Breckland Monitoring Centre Services'. In the latter, AMS aims to jointly, with the Council, generate reoccurring revenue of £22.1k per annum. At the time of review, the Council had not received any income since the contract commenced in 2009. Although the Community Safety Officer retains records of possible sales figures, these were difficult to interpret with any accuracy and were not up to date. Following our request, the Council requested and obtained more up to date information from AMS in relation to the total sales figures since the contract commenced. This established that the Council was due a 50% share of £13,840; being the total income received since the commencement of the contract.

Performance Management

Refer to comments above regarding the arrangements for monitoring performance.

Risk Management

The Council has included one risk in its Combined Operational Risk Register relating to the risk of failure to generate expected income through the provision of CCTV services. Due to the shared services arrangements with South Holland DC, monitoring of risks on TEN was suspended across the Council with the last update being for quarter four of 2010/11. Therefore this risk was not subject to regular review during the year.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Contract Monitoring	Amber	Amber	0	8	0
	Performance Management	**Amber	**Amber	0	0	0
	Risk Management	**Amber	**Amber	0	0	0
Total				0	8	0

** Includes recommendations within the 'Contract Monitoring' area relating to checking and reporting of performance data and lack of monitoring of the risk relating to income generation

High Priority Recommendations

We have raised no high priority recommendation as a result of this audit.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/06 – Final Report issued 16 April 2012

Audit Review of Culture & Leisure

Audit Opinion

PFI Contract Monitoring - Good Assurance given
Dual Use Agreements – Adequate Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

Contract Monitoring – PFI

- There is a sound system of internal control designed to achieve the client's objectives.
- The control processes tested are being consistently applied.
- This opinion is based on not having raised any recommendations in this area.

Dual Use Agreements

- While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.
- There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
- This opinion is based on the fact that we have raised one medium and one low priority recommendations.

Summary of Findings

Contract Monitoring

The PFI Agreement is aligned to the Council's corporate objectives, in particular 'to improve health, wellbeing and standards of living', as documented in the Corporate Plan 2012-15.

A dedicated PFI Monitoring and Strategic Sports Officer (hereafter referred to as the PFI Monitoring Officer) is in post and has developed an operational manual setting out the key aspects for monitoring the PFI Agreement. The PFI Monitoring Officer was in the process of making minor updates to the manual due to changes in management arrangements as a consequence of the shared management arrangements with South Holland Council. A second member of staff has been trained to deputise in the absence of the PFI Monitoring Officer.

The PFI Agreement is designed to be primarily self monitoring, with the contractor submitting monthly performance reports to the Council. Controls exist to verify the validity of performance information provided by the contractor. Operational board meetings are held monthly and are attended by senior representatives from all interested parties, including the Council, in order to monitor performance of the PFI Agreement. Strategic board meetings, which are attended by members of the Council's management team and board members from the contractor, are held twice annually to review higher level matters relating to the PFI Agreement.

Controls exist to help ensure that invoice payments made to the contractor are accurate and that any performance deductions are properly administered. Payments from the Government's Treasury Department, which help cover the PFI Monitoring Officer's salary and a proportion of the Unitary Charges, are received / paid on a monthly basis.

Maintenance arrangements are defined within the PFI Agreement and unannounced site tours are conducted by the PFI Monitoring Officer to confirm that the upkeep of the facilities remains in line with contractual requirements. There is a formal approval process in place for contract variations.

Dual Use Facilities at Swaffham / Attleborough

The agreements with Norfolk County Council for the dual use of the leisure facilities at Swaffham and Attleborough high schools require formal review to help ensure that they are fully reflective of current working arrangements and that the terms remain agreeable to both Norfolk County Council and Breckland Council.

There is also a need for the dual use agreements to be reviewed and updated in order to provide greater clarity over the recharging arrangements for cleaning services, with Breckland Council and Norfolk County Council currently in dispute over the correct charging arrangements. This has resulted in Norfolk County Council not having invoiced Breckland Council for its proportion of costs (including cleaning, rates, utilities etc) for Swaffham High School for the whole of 2010/11. Breckland Council has made a provision of £50k in its accounts to cover these costs which is based on the previous year's charges plus uplift based on the Retail Price Index (RPI). There is also scope for further clarity around the processes to be followed for arranging large scale maintenance works at the two schools, for which Breckland Council has responsibility for contributing towards the costs. The process to be followed for agreeing such works between the two parties is not explicitly documented in either agreement.

Invoices for services provided under the terms of the agreements are checked and approved prior to payment. However, no supporting documentation is obtained to confirm the amounts charged are correct in respect of maintenance charges paid to Norfolk County Council for the two dual use centres.

Performance Information

In addition to the performance metrics included within the PFI Agreement, key performance indicators (KPIs) are documented in the Asset and Property Business Plan relating to attendance and satisfaction rates at each of the sites.

Similar KPIs are to be introduced for 2012/13 to cover the dual use sites.

Performance is monitored via the monthly operational board meetings and the strategic board meetings which take place twice a year and cover both the PFI Agreement and the dual use agreements.

Risk Management

A PFI risk register details a number of operational risks relating to the PFI Agreement. Risks are reviewed on a monthly basis at the operational performance meetings and also twice annually by the strategic board.

Risks relating to both the PFI and dual use agreements have also been identified in the Asset and Property Business Plan and these are also subject to review on a monthly basis.

Mitigating actions have been documented for all risks identified.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Contract Monitoring	Green	Green	0	0	0
	Dual Use Agreements	Amber	Amber	0	1	1
	Performance Information	Green	Green	0	0	0
	Risk Management	Green	Green	0	0	0
Total				0	1	1

High Priority Recommendations

We have raised no high priority recommendation as a result of this audit.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/08 – Final Report issued 14 November 2011

Audit Review of the Receipt, Handling and Banking of Remittances

Audit Opinion

Limited Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- Weaknesses in the system of internal controls are such as to put the client's objectives at risk.
- The level of non-compliance puts the client's objectives at risk.
- This opinion is based on the fact that we have raised one high and two low priority recommendations.
- The level of assurance provided has deteriorated since the previous audit due to the high priority risks arising as the cash receipting system is no longer supported by the system vendor.

Summary of Findings

Policy and Procedures

Comprehensive policies and procedures over receipt, handling and banking of remittances are in existence, have been subject to recent review and are available to all relevant staff.

Up to date insurances are in place to cover the amounts of cash received and retained on site.

Physical Security

Income received by post is opened in a secure environment, logged and processed in the presence of at least two officers. However, the security code for the digit lock to the cashiering office has not been changed within the previous 12 months.

An improved audit trail is required to trace cheques recorded in the Dereham postal remittances book annotated as 'Cash Office' through the receipting system. However, they are difficult to trace through the receipting system since they are processed with remittances that have been received on previous days, for example, those requiring approval to process from other service areas such as Planning, Building Control and Land Charges (so they can confirm payments are correct and supporting documentation is in place).

Cheques received by an officer whilst on site are processed through the cash office and these bypass the postal remittances book. Cheques may be received for more than one service, which can obscure the audit trail when checking to the receipting system. As such, our testing on remittances referred to as 'Cash Office' was limited to a walkthrough check with the Treasury and Exchequer Supervisor.

There is an audit trail in place for the receipt and processing of remittances from other sources, including those requiring departmental approval.

Access to internet and telephone income receipting systems is restricted to relevant staff and access to remittance records is also restricted to relevant staff. Remittances are held securely in the safes until banked, which is daily. Segregation of duties exists between receipt, posting and banking of remittances.

Declarations of interest have been completed restricting staff from processing payments relating to persons known to them on a personal level.

Receipting

Controls are exercised over the receipting process for cash, cheques, telephone or on-line payments.

Internet/telephone remittances are processed on a daily basis. Systems prevent processing unless a valid account or invoice reference is quoted. Sequential receipts are issued if requested and for all payments made by cash or postal order.

Posting of Income

Income is posted on the day of receipt. We were advised that post dated cheques are recorded and accounted for and are only accepted if they are dated no longer than five working days in advance, otherwise they are returned to the payee. There were no post dated cheques held at the time of review.

The use of account numbers, invoices references and transaction numbers allows transactions to be traced through the receipting systems.

Reconciling of Income

All income received is properly reconciled to banking slips, bank statements and the general ledger. At least two officers are involved in preparing income for banking.

Income received per the cash receipting system is checked to income posted to service level systems through fund types. Imbalances are promptly investigated and explained.

Performance Management

There are no performance measures over the receipt, handling and banking of remittances.

Risk Management

The Council has included one risk in its Combined Operational Risk Register relating to remittances, in particular that the current cash receipting system is no longer supported by the supplier. This risk has now been realised, in that the system is no longer supported. Mitigation plans have not been updated on TEN since 2010/11, primarily due to changes in management arrangements following the partnership agreement with South Holland District Council. We were informed that this is due to recommence from 30th September 2011. We were informed by the ICT Infrastructure Consultant that replacing the current cash receipting system was part of a wider project in Financial Services, although we were not provided with details of any timelines for completion of this project.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Policy and Procedures	Green	Green	0	0	0
	Physical Security	Amber	Amber	0	0	2
	Receipting	Green	Green	0	0	0
	Posting of Income	Green	Green	0	0	0
	Reconciling of Income	Green	Green	0	0	0
	Performance Management	Green	Green	0	0	0
	Risk Management	Amber	Amber	**1	0	0
Total				1	0	2

** Recommendation impacts on other areas of the receipting process as it relates to system failure of the Cash Receipting system.

High Priority Recommendations

We have raised one high priority recommendation as a result of this audit.

Risk Management

The Council should ensure that the existing cash receipting system (CR2000) is replaced with a supported system which meets all necessary requirements of the Council. The Combined Operational Risk Register should be updated on a quarterly basis to reflect progress with the project through to its conclusion.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/09 – Final Report issued 12 December 2011

Audit Review of Treasury Management

Audit Opinion

Good Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- There is a sound system of internal control designed to achieve the client's objectives.
- The control processes tested are being consistently applied.
- The level of assurance is based on the fact that no recommendations have been raised.

Summary of Findings

Treasury Management

The Treasury Management Strategy is reviewed on an annual basis. Policies and procedures have been documented to help support the strategy. Cash flow forecasts help identify surplus cash to invest. The Council contracts Sector to provide treasury management services, including providing weekly counter party lists.

Investment decisions are fully documented and are in line with the Council's Treasury Management Strategy 2011/12. Investments, including interest, are reconciled monthly to the General Ledger and to bank statements.

Segregation of duties was noted throughout the treasury management process with short term deposit investments being authorised by the Assistant Director of Finance. The Audit Committee is notified of investments and treasury management performance. Quarterly reports are also provided to the Strategic Management Team outlining treasury management performance.

Treasury management folders on the G: Drive are restricted to appropriate members of staff with access to confidential folders being restricted through password controls.

The Council has fidelity insurance cover in place with Zurich Municipal until 30th May 2016 in respect of its treasury management activity.

Performance Information

Performance indicators relating to treasury management are detailed within the quarterly financial performance report issued to Strategic Management Team. This includes interest obtained for each investment taken from the bank statements.

Risk Management

One risk has been identified on the Financial Services' Risk Register, with mitigation plans in place to reduce the impact and likelihood of the risk materialising. However, mitigation plans have not been updated on TEN since 2010/11, primarily due to changes in the management arrangements following the partnership agreement with South Holland District Council effective from 1st April 2011. The Governance and Performance Accountant outlined that Finance risks are currently under review by the Assistant Director of Finance and s.151 Officer as part of the business plan review process. A review of Change Control and Corporate Governance (BRK1213) is scheduled for February 2012. This will include reviewing the Council's risk management arrangements in more detail. As such, no

recommendation will be made in this report regarding the monitoring / updating of mitigation plans with this particular risk.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Treasury Management	Green	Green	0	0	0
	Performance Information	Green	Green	0	0	0
	Risk Management	Green	Green	0	0	0
Total				0	0	0

High Priority Recommendations

We have raised no high priority recommendations as a result of this audit.

Management Responses

There were no recommendations raised.

Report No. BRK/12/10 – Final Report issued 20 February 2012

Audit Review of Housing and Council Tax Benefits

Audit Opinion

Adequate Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.
- There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
- This opinion is based on having raised one high and one low priority recommendations in addition to the two medium priority recommendations that remain outstanding from the previous review of Housing and Council Tax Benefits (BRK/11/13).

Summary of Findings

Procedures and Legislation

Procedural guidance is available to staff for all key administrative processes, although there is a requirement to update the fraud policy to provide greater transparency over the assessment of referrals (see Fraud section below). Key information and legislative changes are communicated to staff in a timely manner. Staff training needs are subject to on-going review and the quality assessment process helps to inform Team Managers of areas requiring development, either on a team or individual level. Academy access is restricted dependent on role.

Receipt of Applications

Postal information is securely received and logged with valuable items being returned to claimants in a timely manner. Documentary evidence is available to support the accuracy and validity of claims and evidence in the document imaging system (COMINO) corresponds with data input into Academy. The timeliness of the processing of new claims and changes in circumstances is kept under review on a monthly basis and targets exist to help encourage prompt assessment.

Assessment of Applications

Workflow prioritises applications for processing and the allocation of work is overseen by management. Annual up-rating of parameters was accurately performed as were Local Housing Allowance (LHA) rates. System based controls enable the accurate and valid calculation of benefits and system produced correspondence is issued in a timely manner. Quality control is managed through the RB Performance system by a dedicated Quality Assurance (QA) team. Results of quality checks are submitted to Team Managers on a monthly basis. This helps identify whether any further training/checking is required. Errors detected through the QA process are corrected and cases are re-checked.

Payment of Housing Benefit

Segregation of duties exists between the setting up of benefit claims and the payment of Housing Benefit with payments over £1,000 subject to an additional check by the QA team. The threshold was previously payments over £850 although was increased to £1,000 by the Head of Shared Services for operational reasons. BACS transfers are subject to independent

approval and the transmissions are reconciled back to Academy as part of each payment run. Housing and Council Tax payments, overpayment write offs and refunds as per Academy are reconciled to Integra (general ledger) on a monthly basis and a daily balancing control is in place to match council tax benefit paid with the records in the council tax system. An issue raised in the previous audit (BRK11/13) with regards to independent review of movements from the overpayments suspense account was confirmed to remain outstanding at the time of the audit. This will continue to be monitored through our cyclical follow up checks with outcomes reported to the Audit Committee.

Overpayments, Arrears and Write-offs

Weaknesses in control were noted with regards to the recovery of overpaid housing benefit with Breckland Council debts only having been subject to very limited recovery action since February 2011. We obtained systems reports from Academy which showed that the level of debt in respect of overpaid housing benefit awaiting further recovery action (code '99') after automated recovery had ceased, had increased significantly from £77,843 in February 2011 to £176,449 as at 1st December 2011 and subsequently to £232,240 as at the end of January 2012. These figures exclude debts where recovery action is being taken, such as referral to collection agencies and legal action (these latter debts are included in the overall performance information on the recovery of overpayments reported in the ARP Performance reports).

We were informed by the Shared Services Manager that the lack of recovery action was due to a combination of factors, including one of member of the existing overpayments team having been off sick for several months during the summer and staff transferring from St Edmundsbury DC not being conversant with the workings of Academy, having previously operated on a different revenues and benefits system. The Head of Shared Services subsequently informed that training has since been provided and that recovery on Breckland's cases was due to be recommence during February 2012.

Action taken to progress cases appearing on the monthly arrears reports was previously subject to independent review. However, there was no evidence that this level of control had been in operation throughout 2011/12, where recovery action had been taken. A recommendation raised during the previous review (BRK11/13) regarding the requirement for independent check of overpayments authorised for write off to amounts subsequently written off in Academy, also remains outstanding.

Fraud and Interventions

Staff declare interests in revenues and benefits accounts on an annual and access to those accounts is disabled. Visitation schedules are produced and are adhered to. Where previously every claim was subject to a visit within the first eight weeks of application, a decision was taken at Management Team level to postpone eight week visits in favour of deploying resources on postal interventions to rectify an issue with document retention. It is anticipated that the eight week visits will resume once this exercise is complete. Fraud referrals are subject to risks assessments, although the threshold for investigating cases varies by workload, without a clear rationale or approval process documented for these variations. Fraud case loads are subject to monthly review by the Fraud and Visits Team Manager.

Backdated Claims

Backdated applications are processed in line with Department for Work and Pensions (DWP) guidance. Evidence is retained to demonstrate that claimant's qualify for the benefit for the backdated period and that there is good cause for not having claimed sooner.

Discretionary Payments

Discretionary payments are subject to approval by Team Managers and this level of authority is enforced by system restrictions.

Appeals

Appeals against benefit award decisions are subject to review and approval and an audit trail is retained of actions taken. No issues were identified with the timeliness of appeals processing.

Performance Management

Performance targets have been set and are reported against in the monthly performance reports.

Risk Management

Risks have been identified along with mitigating actions. Monitoring of risks through the TEN system has been suspended whilst the risks are migrated to a new system, which is anticipated to become operational from April 2012. Meanwhile, the ARP is continuing to monitor its risks with a view to a full review taking place prior to the establishment of the new system.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Procedures and Legislation	Green	Green	0	0	0
	Receipt of Applications	Green	Green	0	0	0
	Assessment of Applications	Green	Green	0	0	0
	Payment of Housing Benefit	Green	Green	0	0**	0
	Overpayment, Arrears and Write-offs	Amber	Red	1**	0	0
	Fraud	Amber	Green	0	0	1
	Backdated Claims	Green	Green	0	0	0
	Discretionary Payments	Green	Green	0	0	0
	Appeals	Green	Green	0	0	0
	Performance Management	Green	Green	0	0	0
	Risk Management	Green	Green	0	0	0
Total				1	0	1

** Recommendations remain outstanding from BRK11/13

High Priority Recommendations

We have raised one high priority recommendation as a result of this audit:

Overpayment Arrears Recovery

Overpayment arrears reports should be run and reviewed on a monthly basis with an independent check being carried out on a sample of debts to confirm that recovery action being taken is appropriate.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/11 – Final Report issued 30 March 2012

Audit Work to Support the Annual Governance Statement (AGS)

No audit opinion is provided in respect of this audit, as only key controls relating to individual systems are reviewed.

Key Controls Testing

There are a number of key controls applying to the Council's core financial systems that require annual scrutiny by Internal Audit, all such coverage having been agreed with External Audit beforehand to ensure that they too can place reliance on this work to support their evaluation of the organisation's financial statements and accounts. In accordance with the agreed Annual Audit Plan for 2011/12, a number of these material systems have already been subject to detailed individual audits during the second half of the financial year, with the overarching key controls scrutinised and reported on in detail at the conclusion of each piece of work. This current audit has effectively followed up agreed recommendations arising from this earlier work and depending on when the detailed systems reviews were originally carried out, has then ensured further top up testing has been performed so that we have satisfactorily sampled activity in relation to the financial year as a whole and not just a part of it. During this particular audit, we have also reviewed key controls in the material systems that have not previously been subject to in-depth audit coverage as part of the approved Annual Audit Plan for 2011/12.

Key controls were found to be operating in most areas reviewed. Where weaknesses were noted in respect of key controls covered through systems reviews conducted during 2011/12, cross-reference has been made to the recommendations contained in those reports as appropriate and management may wish to consider their implications when completing the AGS.

As a result of our year end work, we have raised one low priority recommendation regarding documenting sample checks of NNDR processing.

Assurance Statements

Assurance statements covering key areas of governance are completed by senior management for each quarter and are signed off and are appropriately monitored. No issues of concern were noted.

Management Responses

Management have accepted the one recommendation raised.

Report No. BRK/12/12 – Final Report issued 16 February 2012

Audit Review of Anglia Revenues and Benefits Partnership Governance

Audit Opinion

Good Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- There is a sound system of internal control designed to achieve the client's objectives.
- The control processes tested are being consistently applied.
- This opinion has resulted from the fact that we have raised two low priority recommendations in this audit report. It is also based on the fact that issues identified in respect of staff resources, which had adversely impacted on the recovery of overpaid benefit, have been addressed in the audit report on Housing and Council Tax Benefit (BRK1210).

Summary of Findings

Strategic Vision

The annual ARP Service Plan 2011/12 outlines the long term plans and future targets of the ARP. It includes provision and a position statement for the introduction of the Universal Credit. The performance measures have been documented as an appendix to the Service Plan.

The Service Plan and performance measures have clear links to corporate aims of both the ARP and Breckland District Council. Performance measures and targets have been set in a specific, measurable, achievable, realistic and timely manner (SMART).

Financial and operational performance should be reported to the ARP Joint Committee (JC), the minutes of which are reported subsequently to Breckland District Council's Cabinet (see financial reporting section of this report below).

Joint Committee and Operational Improvement Board Terms of Reference

Terms of reference for the ARP JC and the Operational Improvement Board (OIB) are documented within the 'agreement for the reconstitution of the Anglia Revenues Partnership' (partnering agreement). The new partnering agreement (revised for the inclusion of St Edmundsbury District Council) is yet to be formally signed by each of the partnering authorities due to unresolved issues over pension liabilities. Legal advice has been sought which is due to be received in February 2012. Despite this, the newly (2011) formed OIB has been meeting in line with the amended draft partnering agreement since the adoption of St Edmundsbury as a full partner in October 2010. As such, no recommendation is considered necessary.

The OIB reports directly to the JC. Decisions made by the JC are in line with the documented terms of reference.

Financial Reporting

Costing arrangements for recharges from the ARP to the Anglia Revenues Partnership Trading Company are undertaken at 100% cost to the Council, based on an annual schedule of rates agreed between the Council and the ARP at the beginning of the year. These are appropriately authorised and recharged in a timely manner.

ARP budgets are set in line with Breckland District Council's budget setting process. Budget setting and monitoring was covered as part of the review of Accountancy Services (BRK1207 - issued in October 2011), in which no issues of concern were identified.

The finalised budget for 2011/12 was reported to the ARP JC in February 2011. The report indicated that the ARP made a surplus in 2010/11 of £189,511; as per the partnering agreement, Breckland District Council received (£104,411).

The ARP budget and financial performance reports have not been provided to the JC for quarters one, two or three for the 2011/12 financial year, as required by the terms of the partnership agreement, although we did confirm that reports had been provided to all S.151 Officers of the ARP member authorities. The first meeting was cancelled and other reasons were given for not having provided budget updates at the following two meetings. Monitoring of budgets generally by Breckland District Council was covered as part of the aforementioned Accountancy Services audit with no issues being identified. Physical and procedural security arrangements for petty cash, including approval, documentation and replenishment of petty cash, are in place.

The asset register for the ARP is maintained by Breckland District Council. The partnering agreement details formatting requirements of the asset register which have not been implemented. Maintenance of ARP assets is detailed within the IT agreement with Capita.

Additions of New Partners

The ARP is proposing to introduce two new partners. High level business cases have been presented to the JC with approval to explore the proposals being given.

Provision for performance reporting structures of the new partners is documented within the partnering agreement.

During the Housing and Council Tax Benefit audit (BRK1210) undertaken in December 2011, it was established that issues arose with staff resources, which, as a consequence, adversely impacted on the recovery of overpaid housing benefit relating to Breckland claimants. This issue arose due to a combination of one overpayments officer having been off on long term sick leave and no other contingency arrangements being in place. Furthermore, staff joining the ARP in April 2011 from St Edmundsbury had previously worked on a different revenues and benefits system (Northgate). We were subsequently informed by the Shared Services Manager that all information has since been migrated to Academy with the requisite training provided and this should now provide a contingency in the absence of other key staff in respect of the recovery of overpaid housing benefit.

Risk Management

A risk register for the proposed project of expanding the ARP has been documented with mitigating controls stated.

Significant changes to the management structure at Breckland District Council as a consequence of the shared services arrangement with South Holland District Council has resulted in risk management processes being delayed throughout 2011/12. A meeting was held in December 2011 between the Governance and Performance Accountant (Breckland DC) and Head of Shared Services (ARP) to review ARP risks.

We confirmed that discussion regarding the revision of the ARP risk register has been undertaken in preparation for 2012/13 Service Planning.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Strategic Vision	Green	Amber	0	0	1
	JC and OIB Terms of Reference	Green	Green	0	0	0
	Financial Reporting	Green	Amber	0	0	1
	New Partners	Green	Green	0	0	0
	Risk Management	Green	Green	0	0	0
Total				0	0	2

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/13 – Final Report issued 26 April 2012

Audit Review of Change Control and Corporate Governance

Audit Opinion

Adequate Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.
- There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk. The opinion results from one medium and one low priority recommendations being raised.

Summary of Findings

Constitutional Review

A project team has been set up to review the constitutions of both Breckland and South Holland District Councils (SHDC). This has been delayed pending receipt of software from the Association of Council Secretaries and Solicitors, which is based on a series of set questions that will provide a draft constitution tailored to each Council's needs. The proposed review is aimed at aligning the two constitutions where possible to assist the shared management team undertake its duties. The two authorities remain separate entities, whilst sharing one management team. Should the constitutions not be aligned, both authorities can continue to operate under their own existing versions. Since the approval of the shared management arrangements, Breckland has reviewed and amended its own Constitution, including the Scheme of Delegations, to reflect current management responsibilities and committee structures.

Shared managers employed by SHDC have not signed acceptance to comply with the requirements of Breckland Council's Code of Conduct, in particular with regards to compliance with IT Policies for Data Protection requirements.

Various non mandatory training sessions have been provided to staff (including the senior management team) which included coverage of performance management, recruitment, sickness absence and procurement rules. Breckland has also provided non mandatory training for members regarding the Council's Constitution (including amendments).

Partnership Working

Full Council approved the shared management proposal at its meeting on 16th December 2010. The proposal included a Memorandum of Agreement between the two Councils which states it "*...needs to be a relationship built on trust with a simple methodology for distributing the benefits*".

A financial analysis was also presented which identified a cost saving to Breckland of £350k per annum with an initial start up cost of £400k, which was matched by SHDC. In July 2011, the Joint Executive Management Team was provided with a summary of savings for both Councils; this highlighted a net saving to Breckland of £441k in the first year.

A Joint Executive Management Board has been set up to monitor the shared management arrangements, which meets quarterly. However, we were unable to confirm the existence of formal terms of reference for this Board to confirm it was operating within its intended remit.

A Project Team was initially set up to assist the transition of forming one shared management team. The Project Team met on a weekly basis with clear objectives and milestones documented. The 'Project' was deemed complete by the Joint Executive Management Team

on 29th July 2011. The Project Team is currently revising its terms of reference and working on proposals for the expansion of the shared management arrangements to include Great Yarmouth Borough Council.

No formal monitoring of time allocations is undertaken for shared managers as this is not deemed appropriate by managers and does not fit in line with the Memorandum of Agreement. To facilitate an effective management environment the shared management team has unified e-mail addresses and video conferencing facilities have been installed at both Breckland and SHDC offices.

A dispute resolution procedure and exit strategy has been documented within the Memorandum of Agreement.

Oversight and Policy Change

Breckland's Corporate Plan is aligned to the shared management arrangement with SHDC.

The Council's performance and risk management arrangements have been subject to review during the transition period which has resulted in less robust monitoring and review of risks. Despite this, quarterly Governance and Performance reports have been provided to the Audit Committee and Executive Management Team throughout this period while future frameworks are assessed. The Project Team reviewed a shared management risk register at weekly Project Team meetings.

Refer to 'Constitutional Review' above with regards SHDC Managers needing to agree to comply with Breckland Council's Code of Conduct/IT Policies on Data Protection issues.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Constitutional Review	Amber	Amber	0	1	0
	Partnership Working	Amber	Amber	0	0	1
	Oversight and Policy Change	Amber**	Green	0	0	0
Total				0	1	1

** The recommendation raised in the 'Constitutional Review' area impact on the adequacy of controls within this area.

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/16 – Final Report issued 18 May 2012

Audit Review of IT Governance Policy and Strategy

Audit Opinion

Adequate Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. Although three Medium Priority recommendations have been raised, a number of controls were found to be in place and operating effectively. Recommendations have been raised to help strengthen these controls to a good/leading practice and help mitigate against risks where the controls were seen to be weak. As there have been no significant control weaknesses identified within each area of the audit, we have been able to provide an adequate level of assurance.

Summary of Findings

ICT Governance Structure

The audit noted that, whilst there is evidence of ICT Governance in the form of the Business Improvement Projects Steering Committee (BIPSC) and formal approvals of ICT Policies and Strategy by senior management, a strategy for ICT Governance has not been formally documented. For example, it is known that BIPSC is being restructured, although it is not clear what its replacement will be. A recommendation to formally document an ICT Governance Strategy has been raised.

Reporting Lines

The audit noted good controls in this respect. Formally documented Reporting lines were found to be present.

Responsibilities

Responsibilities for internal ICT positions were found to have been documented in the form of agreed Job Descriptions. There are also documented Service Level Agreements with CAPITA Symonds and St. Edmundsbury Council. However, there have been more recent moves to hire temporary resource from Norfolk County Council which do not appear to be governed by formal agreements beyond an email approval from senior management in one case. The Council has also used external consultancy resource to manage ICT and Customer Services, for which an agreement does not appear to be present. It was noted, however, that the Council is being invoiced for these services as evidenced by the "over £500" report published monthly by the Council. A high priority recommendation to review this situation has been raised.

Identification of Business and Academic Requirements

The audit noted good controls in that there is evidence of recordkeeping for training given to staff and planned training going forward.

Development and Monitoring of ICT Policy

The overarching ICT Security Policy and Guidelines document was noted as undergoing review at the time of the audit. It had been approved by the Executive Board for passing to Cabinet for its information, which has subsequently been noted.

Communication of Policies and Changes

There has been a relatively informal process of having all staff acknowledge the policy, although, now that the document is nearing the point where it will be fully approved by senior management, there is an opportunity to broadcast the changed document to all staff and have them acknowledge. A recommendation to do so has been raised.

ICT Strategy

The audit noted good work in this respect. The strategy has also undergone significant review, having also been approved by the Executive Board for referral to Cabinet. The agenda for the next Cabinet meeting contained an item to consider the Strategy, which has subsequently been noted as having been approved.

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	ICT Governance Structure	Amber	Amber	0	1	0
	Reporting Lines	Green	Green	0	0	0
	Responsibilities	Amber	Amber	0	1	0
	Identification of Business and Academic Requirements	Green	Green	0	0	0
	Development and Monitoring of ICT Policy	Amber	Amber	0	1	0
	Communication of Policies and Changes	Amber	Amber	0	0**	0
	ICT Strategy	Green	Green	0	0	0
Total				0	3	0

** Recommendation covered under 'Development and Monitoring of IT Policy'.

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/17 – Final Report issued 13 February 2012

Audit Review of Internet and Email

Audit Opinion

Limited Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- Weaknesses in the system of internal controls are such as to put the client's objectives at risk. This opinion has been reached as a result of the six medium priority recommendations raised in addition to a high priority recommendation concerning weaknesses around the lack of regular firewall backups.

Summary of Findings

Internet and Email Policy

The Council has a recently updated "Information Security and Guidelines" document that is used as the central policy document. Staff have been required to formally sign off their acceptance to comply with the policy only on an ad hoc basis over time. A recommendation on this has been raised. The content of the policy was found to be adequate with respect to Internet and Email usage.

Email Security

Users are signed into their own email mailboxes automatically as part of their daily network login process. This means that only the users are automatically logged into their own mailbox when they open Outlook, however, IT staff with Domain Admin user privileges are able to administer any mailbox and it was noted that there were a larger number of Domain Admin users than generally considered appropriate. Management agreed that this appeared to be the case and had already disabled some of the accounts. A recommendation on this has been raised. Emails are only scanned for attachment sizes greater than 15Mb and no lexical scans are conducted. This means that staff can send emails with what might be considered inappropriate content as would normally be defined by management. A recommendation to review this situation has also been raised.

Internet Firewall Administration

There are two IT staff members with responsibility for administering the firewall, although it was clear that one of the users is more experienced than the other. In addition, the more experienced user is leaving the Council in the near future which demonstrates a need to ensure that suitable cross training and procedures are implemented to provide a seamless transition. A recommendation on this has been raised. The audit also noted that, apart from an occasional firewall rules export process that is only conducted following a rules update, there is no regular process of backing up the firewall server and a high priority recommendation on this has been raised. There are also no documented processes and procedures that cover firewall resilience and recovery and a recommendation on this has also been raised.

Internet Firewall Configuration

A Juniper Intrusion Detection/Prevention (Juniper IDP) system has recently been installed and is running, although has not been as closely managed as it should be. A recommendation on this has been raised.

Internet Browser Configuration

Good controls were noted. Users are not able to reduce internet zone security below Medium strength and the latest Internet Explorer Browsers that can be supported by Windows XP are in place.

Internet and Email Logging and Monitoring

There is periodic review of firewall and email activity, together with email alerts. The various tools in place for this purpose have built in querying tools that allow administrators to drill down into the data for specific purposes, for example, if there has been a request to monitor specific user activity. However, there is a weakness concerning the lack of lexical analysis for which a recommendation has been raised above.

Internet Firewall Change Controls

There are change controls that are managed by the Lagan helpdesk system. Given the nature of the types of changes that are implemented into the firewall (primarily one-off specific rule changes) the helpdesk software also acts as a record keeping tool. Together with the availability of rule change testing simulators within the firewall itself, the existing procedures are considered good controls.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Internet and Email Policy	Amber	Amber	0	1	0
	Email Security	Amber	Amber	0	2	0
	Internet Firewall Administration	Amber	Amber	1	2	0
	Internet Firewall Configuration	Amber	Amber	0	1	0
	Internet Browser Configuration	Green	Green	0	0	0
	Internet and Email Logging and Monitoring	Amber	Amber	0	0**	0
	Internet Firewall Change Controls	Green	Green	0	0	0
Total				1	6	0

** Linked to recommendation raised under Email Security (Recommendation 2).

High Priority Recommendations

We have raised one high priority recommendations as a result of this audit. This was in the following area:

Firewall Backups

Management should ensure that all relevant firewalls are included within the routine network backup process with immediate effect. In addition, the folder used to store the rules backup files should be moved to a secure location separate to the firewall server itself.

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/19 – Final Report issued 12 January 2012

Audit Review of the LalPac Licensing Application

Audit Opinion

Adequate Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- While there is a basically sound system of internal control, there are weaknesses, which put some of the Council's objectives at risk. Although three Medium Priority recommendations have been raised, a number of controls were found to be in place and operating effectively. Recommendations have been raised to help strengthen these controls to a good/leading practice level and help mitigate against risks where the controls were seen to be weak. As there have been no significant control weaknesses identified within each area of the audit, we have been able to provide an adequate level of assurance.

Summary of Findings

Access Controls

There is a designated system administrator, along with cover for absences. The application also includes controls that restrict access according to need. However, there are some significant password control weaknesses, which appear to be system design constraints rather than a lack of activation of available controls. A recommendation has therefore been raised to work with the vendor to improve the controls so that they reflect current good practice.

Data Input

LalPac is well designed in that it has extensive controls to help prevent bad or missing data input. There are good controls that stop progression where mandatory data has not been entered, together with advisory notices where data may need review before completion. Source documentation is scanned into LalPac and destroyed thereafter, effectively minimising risks usually associated with the physical storage of hard copy documentation.

Data Processing

Processing is carried out manually by Licensing staff on a changing weekly rota basis. There are good controls with respect to changing master, or static data via formal management requests.

Data Output

There is no process that reconciles completed customer applications within LalPac to the source documentation. In the absence of reconciliations between LalPac and the required source documentation, it is feasible for Licence applications to be forced through the system without the necessary required documentation having been provided and for this to be done without fear of detection.

Interfaces

There are no interfaces between LalPac and other systems. However, the process of receiving customer cheques and passing them to the Finance department for banking was reviewed and found to be adequate.

Management Trails

LalPac has historically had an audit tool, although the ability to report has been weak in that it crashes when opened because it is trying to list every activity that has been recorded since its initial installation at the Council. The upgraded application currently being reviewed within the test environment appears to incorporate an improved design that allows for search filters to be applied and generally improve audit trails.

System Support and Change Controls

There is a support contract in place with the Vendor. This includes close support of the application, using local IT support where needed. The application has not been upgraded since it was originally implemented, however, a new upgrade was starting to be tested within the application's test environment during the Audit. The release notes were being used as a guide for testing, although there was no plan to conduct testing of the wider LalPac application to help ensure that the changes being implemented did not impact on the other parts of the system. We have thus raised a recommendation to address this issue.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Access Controls	Amber	Amber	0	1	0
	Data Input	Green	Green	0	0	0
	Data Processing	Green	Green	0	0	0
	Data Output	Amber	Green	0	1	0
	Interfaces	Green	Green	0	0	0
	Management Trails	Amber	Amber	0	0**	0
	System Support and Change Controls	Amber	Amber	0	1	0
Total				0	3	0

** Although there are current weaknesses in the live environment for the interrogation of audit trails the solution is currently going through testing prior to implementation and as such no further recommendation has been raised, although the weakness needed to be noted.

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit.

Management Responses

Management have accepted all recommendations raised.

Interim Review of the Rev Active Project – Final Report issued 22 May 2012

In March 2012, Internal Audit was requested to undertake a review of the REV ACTIVE project, in light of the requirements to have a formal audit certification at the completion of the project. This interim work was undertaken by the Audit Management Team, based at South Norfolk Council, in April 2012.

This report sets out our findings from the review, including any adjustments required to the claim and areas of control weakness identified in the course of our audit work that impact on the claim's control environment.

No audit opinion has been given as such, due to the nature of work subsequently performed, i.e. we have not reviewed an internal control system in its entirety but instead have carried out specific testing of claims made in relation to the REV ACTIVE Project for periods 6-11.

Summary of Findings

Control Environment Assessment

In general, the audit trail used to support entries within quarterly claims submitted is very good. Partner organisations are required to submit extensive information to support expenditure included in the claim. There are controls in place to ensure grant terms and conditions are met. Strict enforcement of rules exists to ensure only expenditure where there is suitable supporting information is included within quarterly claims. All supporting working papers are appropriately referenced back to original source documents. The officer responsible for completing claims and maintaining audit trails has extensive experience and knowledge of grant requirements. The project is overseen by two review bodies, a quarterly Strategic Board and a monthly Operational Board. The Audit Committee at Breckland has requested 12 monthly project updates, the last report being presented in February 2012.

Compilation of Quarterly Claims and Subsequent Reimbursement

Claims 6-11 were reviewed and checked for arithmetical accuracy, cross referencing to reports and source documents and the accuracy of the charging.

The arithmetical accuracy of the claims was confirmed. Differences were found on Claims 10 & 11 in respect of the cumulative funding for ERDF and Breckland Council, amounting to £1,000 and £25,492 respectively – these were discussed with the Funding Support Officer who confirmed that these had been identified and corrected for Claim 12. The Claim now splits the funding tables down into three parts for Breckland Council to assist in the recording and checking of all funding received to date.

We have agreed all of the expenditure within the claims to supporting records from the general ledger and the timesheets of individual officers. It was noted that some adjustments are made to Breckland officer timesheets where their time on REV ACTIVE can not be evidentially supported; these were all clearly marked by the person making the adjustment in accordance with the previous recommendation. All adjustments made had reduced the amount of time claimed by Breckland. Whilst the testing involved extensive reviews of prime documentation including supporting invoices, timesheets and expenses, a sample of 20 entries were reviewed to ensure that they were REV ACTIVE related, that the costs were eligible in accordance with the contract award, that apportionments had been undertaken correctly where appropriate and that VAT had been correctly accounted for. All 20 cases were found to conform to the tests applied.

Norfolk County Council now submits quarterly statements to Breckland on a timely basis in respect of 4 officers who work on the REV ACTIVE project, supported by timesheets. This has addressed the previous recommendation. The entries on the timesheets and the travel claims were reviewed and found to concur with the entries on the claims.

The officer who was directly employed by Shaping Norfolk's Future to support REV ACTIVE left in February 2011 to commence another position, (the remaining work element of this has been undertaken by Breckland Council on timesheeted hourly rates). Her timesheets and travel claim only applied to the first claim reviewed – these were found to concur with the entry on the claim.

The income recorded on the claims is of actual income received and does not include accruals, this is in accordance with ERDF requirements (expenditure is treated the same way). The entries on each claim were reconciled back to supporting records. Differences are due to timing differences between the date the claim is prepared and the final confirmation of in-kind funding provided by Breckland and Norfolk County Council. The Funding Support Officer maintains a reconciliation for each claim and confirmed that these differences are corrected for each claim as income can sometimes be up to two months in arrears.

Retention Requirement

The Standard Conditions of the ERDF Grant states that all original documents must be retained until 31st December 2025. The Council has taken reasonable measures to comply with this through marking all project files that they must not be destroyed without prior permission of the Council.

Procurement

The appointment of a Carbon partner, completed in February 2011, was reviewed. The method of procurement complied with both Council and ERDF procurement rules and, in the event, tenders were received from 13 companies. The evaluation followed the methodology outlined in the tender documents and supporting documentation was found to support the final decision of the panel and there was evidence of independent review of the scores.

In contravention of the Council's Standing Orders, tenders were returned to the Project Manager prior to opening and the record of tender opening did not record the names of the officers who opened the tenders. The scoring methodology was not agreed by the evaluation panel until immediately prior to the evaluations being undertaken. Three medium recommendations have been made to address these weaknesses.

Capital Assets

It is a requirement of the Standard Conditions of the ERDF Grant that an inventory of all assets is maintained. At present, no expenditure to date meets the definition of capitalisation; however a register of all equipment used by the project is maintained by the Funding Support Officer.

All previous recommendations were reviewed as part of this years audit and all were found to have been implemented.

Recommendations

As a result of our audit work, we have raised 3 medium priority recommendations:

1. *Receipt of Tenders:* Tenders should be returned and stored in accordance with the Council's Standing Orders.
2. *Tender opening:* Tenders should be opened in accordance with the Council's Standing Orders and the Record of Tender Opening should record the names of the officers present.
3. *Tender evaluation criteria:* The scoring methodology should be agreed in advance of the evaluation and it is good practice for this to be advised to companies in advance.

Management Responses

Management have accepted all recommendations raised.