

Eastern Internal Audit Services



BRECKLAND DISTRICT COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 20 November 2017 to 2 May 2018

Responsible Officer: Emma Hodds – Head of Internal Audit for Breckland DC

CONTENTS

1. INTRODUCTION	2
2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN	2
4. THE OUTCOMES ARISING FROM OUR WORK	3
5. PERFORMANCE MEASURES.....	8
APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK.....	9
APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES.....	12

1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes: -
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Measure outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 24 February 2017, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. In December 2017 the Committee was notified of changes to the plan, and since then the following changes have been agreed with management.

Audit description	Nature of the change
Procurement and Contract Management	As the team is relatively new so we have therefore agreed that this can be pushed back slightly to ensure that the review is undertaken at the right time – the audit will now be tabled for July 2018.
IT Project Delivery - Phase 2 & Phase 3	Original 12.5 days for IT project delivery amended to 10 days Cyber Security. Conclusions within this report. 2.5 days remaining will be used to formulise a 3 year IT audit plan for Breckland and South Holland.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 180 days of programmed work has been completed by TIAA Ltd, and 35 days completed on the ARP service areas, totalling 215 days of the revised audit plan (100%).
- 3.3 The Anglian Revenues Partnership (ARP) was set up and initially involved; Breckland, St Edmundsbury Borough Council, Forest Heath District Council and East Cambridgeshire District Council. For these founder authorities the internal audit service has been delivered by West Suffolk audit - a joint internal audit service provided by Forest Heath and St Edmundsbury - with reliance being placed on the outcomes of this work by the Head of Internal Audit. A Service Level Agreement is in place to reflect this arrangement and a fee is paid for this service.

- 3.5 Over recent years new Councils have joined ARP, namely Fenland District Council, Suffolk Coastal District Council and Waveney District Council. The Heads of Internal Audit (or equivalent) have been working in partnership to ensure that the ARP is only audited once each financial year for each service area; i.e. Council Tax, National Non-Domestic Rates, Benefits, Overpayments, and more recently ARP Enforcement, and that these audit reviews cover all the authorities.
- 3.6 An overarching Service Level Agreement has been finalised, which enables the above to take place and ensures that the Heads of Internal Audit receive outcomes which can be relied upon for the annual opinion for each sovereign Council.
- 3.7 For Committee's information, the audits will be undertaken as follows:

Audit	Lead Authority
Council Tax	West Suffolk
Overpayments	West Suffolk
Benefits	West Suffolk
National Non-Domestic Rates	East Suffolk
ARP Enforcement	Fenland

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

- 4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

- 4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report Internal Audit Services have issued eleven final reports: Nine assurance reports have been issued and can be seen on the table below.

Audit	Assurance	P1	P2	P3
Environmental Protection	Limited	0	5	7
Accountancy Services	Substantial	0	0	2
Accounts Receivable	Substantial	0	0	2
Income	Reasonable	0	1	2
Private Sector Housing	Limited	3	6	3
Corporate Governance	Reasonable	0	2	3
Risk Management	Substantial	0	0	2
Key Controls and Assurance	Substantial	0	0	1
Cybersecurity	Limited	1	8	6
Total:		4	22	28

The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members.

- 4.5 As can be seen in the table above as a result of these audits 54 recommendations have been raised, all of which have been agreed by management.
- 4.6 During this period, one position statement has been issued which provides management with suggested actions and areas for improvement in key areas informing future direction. In summary, this report reviewed the following:

Transformation Programme

This position statement provided an overview of the operations of both the Strategic and Operational Transformation Boards, with a focus on the monitoring of outcomes of projects to ensure that they have been realised. Three projects were selected for review; Legal Services, Corporate Improvement and Human Resources. Improvement actions have been suggested and accepted by management.

Cross Authority Review HR

A Cross Authority Review was also carried out during this period. The overall objective of the review was to identify where there may be opportunities to improve practices in Human Resources (HR) and, in addition, to provide information to be analysed for future HR and payroll audits. Seven action points have been raised and accepted by management.

Key Points:

- Breckland District Council has a higher than average absence rate, particularly in respect of short term absences.
- There is a wide range of sickness absence over departments and a higher incidence of absence among staff members of a lower seniority.
- Breckland District Council has a lower than average turnover rate, both in terms of overall turnover and early turnover. Enforcement has a significantly high rate of turnover with no obvious explanation for this.
- Breckland District Council has a lower average and median staff tenure rate when compared with the other participating Councils.
- Breckland District Council has a lower than average annual leave allowance although this allowance improves after five years of service.
- Breckland District Council offers one of the most comprehensive self-service processes, however, there is still scope to expand this process with additional services which are offered by some of the other participating Councils.
- The resource invested in Breckland District Council's HR department is significantly above average.

Six action points were raised on conclusion of the review:

- The Council is to consider the effectiveness for monitoring and investigating short term absences
- The Council is to consider a review of sickness absence monitoring and reporting for each department and at each level of seniority to ensure consistency of procedure.
- The Council is to consider undertaking a review of the enforcement department to determine whether there are underlying reasons for the high incidence of staff turnover. If underlying reasons are identified, action is to be undertaken to address these issues.
- The Council is to consider undertaking an exercise on employee satisfaction to identify factors which are unsettling employees and is then to look at ways to resolve these.
- Within the Councils review of employee satisfaction as per Action 4, the Council is to consider including questions relating to its annual leave allowance to determine whether this is suitable and in line with employee expectations.
- The Council is to consider expanding the self service offered to include overtime and sickness absence recording
- The Council is to consider reviewing the resource allocation within the HR department to ensure that the allocation is set at the appropriate level to allow for efficient and effective service delivery.

- 4.7 It is encouraging to note that a total of six reports have achieved positive assurance gradings in this period demonstrating that the control framework is effective in most areas audited.

We have however concluded a limited assurance opinion in a total of three audits during this period. One urgent priority one recommendation has been raised in the Cyber Security report, however it has been implemented quickly to mitigate the risk exposure. One priority three recommendation has been rejected by management. This relates to overnight Malware

prevention scans. Management are willing to accept the risk as they are satisfied other controls exist to scan for Malware when machines are logged on.

The Environmental Protection review was an audit carried out at both Breckland and South Holland. No urgent priority actions were raised for Breckland and out of the five priority two recommendations raised, one has since been completed. We therefore feel that these issues do not need to be highlighted as a matter of concern in the Annual Opinion Report or Annual Governance Statement.

A limited assurance grading was also raised for Private Sector Housing. Risks relating enforcing licence conditions, carrying out timely fire risk assessments and identifying empty dwellings were raised. We therefore feel that these issues should be highlighted within the Annual Opinion and Annual Governance Statement.

- 4.8 The ARP reviews for 2017/18 have been concluded and are reviewed by the Head of Internal Audit for Breckland DC and reliance placed on the work. The outcomes are as follows:

Housing Benefits – Reasonable Assurance

The audit reviewed; self-employed cases, system access, BACS Transmissions, New Applications, Processing Verification, Rental Values, Reconciliations, Council Tax Reduction Scheme, Quality Assurance and Parameters. ,

The audit concluded with 17 priority two and 8 priority three recommendations being agreed with management. Implementation dates for the priority two recommendations have been agreed with management ensuring that most risks in relation to these will be fully mitigated by the end of August 2018. Two priority two recommendations will be completed by March 2019 as they relate to the completion of complex projects.

Actions were reviewed from previous benefit audit reports, resulting in seven actions being completed and one superseded by recommendations in the 2017/18 Internal Audit Report with no actions reported as work in progress.

Council Tax – Reasonable Assurance

The scope of the audit reviewed; Parameter Bandings, Valuation Office Amendments, Exemptions and Discounts, Paying Collection and Issuing of Refunds, Control Account Reconciliations, Refunds, Quality Assurance, Debt Recover, System Access, Credit Balances, Write Offs.

The audit concluded with two priority ones, fifteen priority two and five priority three recommendations being agreed with management to mitigate the associated risks. Priority one findings relate to credit balance reports not being regularly produced and reviewed. The agreed management action for this finding is due for September 2018. We therefore feel that this issue should be reflected in year-end reporting and the Annual Governance Statement. The second priority one finding relates to an absence of senior officer verification for council tax variations and reconciliations. The agreed management action was reported as complete during final report issue.

Thirteen priority two recommendations have implementation dates of between May 2018 and October 2018 to ensure that the associated risks are addressed. Three priority two recommendations have implementation dates of March 2019 as they relate to the completion of complex projects.

Actions were reviewed from previous Council Tax audit reports, resulting in three actions being completed and nine superseded by recommendations in the 2017/18 Internal Audit Report. One action was reported as work in progress.

National Non-Domestic Rates – Reasonable

The audit reviewed: Parameters and Year End Processes, Valuation Office (VO) schedules, Reliefs, Exemptions, Discounts, and Empty Properties, Payment Collection, Arrears, reminders and debt recovery reconciliations, Refunds, Quality Assurance and System Access.

The audit concluded with no priority one recommendations, 10 priority two and six priority three recommendations agreed with management. All priority two recommendations are due to be completed by August 2018.

Actions were reviewed from previous NNDR audit reports, resulting in seven actions being completed and four superseded by recommendations in the 2017/18 Internal Audit Report. Four actions were reported as work in progress.

ARP Enforcement – Reasonable

The audit reviewed: Control Account Reconciliation to Ledger, ARP Enforcement, BACS Payment, Payment Collection, Monitoring, System Access, Recovery of Goods.

The audit concluded with no priority one recommendations, five priority two and one priority three. All actions are due to be completed by September 2018.

Actions were reviewed from previous ARP audit reports, resulting in one action being reported as work in progress.

Overpayments – Reasonable

The audit reviewed: System Access, Recovery of Overpayments, Write Offs, Overpayment Classification/Notification, Suspense Account, Reconciliations, BACS Transmissions.

The audit concluded with no priority one recommendations, 10 priority two and five priority three. In relation to priority two actions, six are due to be completed by August 2018 and four actions have been given a deadline of March 2019 as they relate to the completion of complex projects.

Actions were reviewed from previous ARP audit reports, resulting in four actions being reported as complete and two superseded by recommendations in the 2017/18 Internal Audit Report.

Members will note that the number of recommendations is high in number; however, the audits do cover multiple Council's. This work was concluded during quarter four of the 2017/18, and at financial year end the majority of recommendations remain not yet due. There are however recognised weaknesses in the control area that management have agreed to address and updates will be requested from West Suffolk Internal Audit Service over the course of the forthcoming year. Updates will also be provided in the follow up reports to Committee.

- 4.9 Recommendations to improve the control environment for Council Tax have been agreed by management, however the urgent recommendations / issues raised in this area will need to be referred to in the Head of Internal Audit's Annual Opinion for 2017/18.

5. PERFORMANCE MEASURES

- 5.1 The Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over four areas, the results of all performance measures for 2017/18 can be found in the Annual Report and Opinion.
- 5.2 There are individual requirements for performance in relation to each measure; however, performance will be assessed on an overall basis as follows:
- 9-11 KPIs have met target = Green Status.
 - 5-8 KPIs have met target = Amber Status.
 - 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Head of Internal Audit to ensure that appropriate action is taken.

- 5.3 All work has been now been completed and a report on the performance measures provided to the Head of Internal Audit, performance is currently at green status with targets having been satisfactorily met for this quarter.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that the internal audit plan of work is now complete and there are no performance issues that need to be addressed.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations			Committee
							P1	P2	P3	
Quarter 1										
Communications	BRK1801	4	0	0						
Building Control	BRK1803	8	8	8	Final Report issued 6 June 2017	Reasonable	0	3	2	December 17
TOTAL		12	8	8						
Quarter 2										
Corporate Performance and Corporate Plan	BRK1804	7	7	7	Final Report issued 13 September 2017	Substantial	0	0	2	December 17
Cross Authority Review - HR & Payroll	BRK1805	6	6	6	Final Report issued 15 February 2018					June 18
Elections & Electoral Registration	BRK1807	8	8	8	Final Report issued 20 September 2017	Reasonable	0	0	2	December 17
Environmental Services	BRK1808	18	18	18	Final Report issued 24 August 2017	Reasonable	0	5	2	December 17
Community Safety	BRK1813	8	8	8	Final Report issued 12 October 2017	Substantial	0	0	0	December 17
Planning	BRK1814	18	18	18	Final Report issued 14 November 2017	Reasonable	0	3	3	December 17
TOTAL		65	65	65						
Quarter 3										
Environmental Protection	BRK1806	8	8	8	Final Report issued 25 January 2018	Limited	0	5	7	June 18
Accountancy Services	BRK1809	16	16	16	Final Report issued 13 December 2017	Substantial	0	0	2	June 18

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations			Committee
Accounts Receivable	BRK1810	10	10	10	Final Report issued 189 December 2017	Substantial	0	0	2	June 18
Income	BRK1811	8	8	8	Final Report issued 2 February 2018	Reasonable	0	1	2	June 18
Democratic Services	BRK1812	5	0	0						
TOTAL		47	42	42						
Quarter 4										
Private Sector Housing	BRK1802	10	10	10	Final Report issued 3 May 2018	Limited	3	6	3	June 18
Corporate Governance	BRK1815	4	4	4	Final Report issued 12 March 2018	Reasonable	0	2	3	June 18
Risk Management	BRK1816	3	3	3	Final Report issued 28 April 2018	Substantial	0	0	2	June 18
Key Controls and Assurance	BRK1817	10	10	10	Final Report issued 1 March 2018	Substantial	0	0	1	June 18
Transformation Programme	BRK1818	6	6	6	Final Position Statement issued 30 April 2018					June 18
Procurement & Contract Management	BRK1819	8	0	0						
TOTAL		41	33	33						
IT Audits										
IT Project Delivery - Phase 1	BRK1820	7.5	7.5	7.5	Final Report issued 18 October 2017	Reasonable	0	0	1	December 17
Cybersecurity	BRK1821	5	10	10	Final Report issued 26 April 2018	Limited	1	8	6	June 18
IT Project Delivery Phase 2 & 3	BRK1822	7.5	2.5	0						
TOTAL		20	20	20						
Follow Up										

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations			Committee
Follow Up	NA	12	12	12						
TOTAL		12	12	12						
TOTAL		197	180	180			4	33	40	
Percentage of plan completed				100%						
Audit delivered by West Suffolk Internal Audit Services										
Council Tax					Final Report issued 29 March 2018	Reasonable	2	15	5	June 18
National Non-Domestic Rates					Final Report issued 25 April 2018	Reasonable	0	10	6	June 18
Benefits					Final Report issued 29 March 2018	Reasonable	0	17	8	June 18
Overpayments					Final Report issued 29 March 2018	Reasonable	0	10	5	June 18
ARP Enforcement					Final Report issued 4 April 2018	Reasonable	0	5	1	June 18
		35	35	35						
				100%						
OVERALL TOTAL		232	215	215						
				100%						

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Accountancy

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Budgetary control	0	0	1*	0
Control accounts	0	0	1*	0
General ledger maintenance	0	0	1	0
Total	0	0	2	0

*One recommendation applies to both of these areas.

No recommendations have been raised in respect of treasury management, journal entries, asset register or banking.

SCOPE

This review includes control accounts, journal entries, banking, asset management, budgetary control and treasury management. These key financial systems feed into the Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls in these key areas.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit of Accountancy Services in 2015/16, also concluded in a 'Substantial' assurance opinion, having raised one 'needs attention' recommendation, indicating a continued strong control environment in this area, hence the direction of travel remains unchanged.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Council has external investment advisors who provide financial advice and a counterparty list. The Council's investment practices and priorities are set out in its Treasury Management Policy and Investment Strategy, which ensures that the Council's resources are invested responsibly.
- Investments are authorised and evidence is retained to confirm the terms of the investment, with reconciliations to the general ledger of the principal amount and interest thus ensuring that all expected returns are received.
- Financial performance reports, including capital and revenue budgetary information, are distributed to responsible officers on a monthly basis, with a quarterly budget monitoring report presented to Cabinet. This ensures that regular monitoring is undertaken over the course of year to keep to budget and actively manage any issues.
- The budget setting process adheres to an agreed timetable and responsible officers are involved in setting of their budgets, thus ensuring appropriate accountability and responsibility for budgets.
- The control accounts for sales ledger, purchase ledger and payroll, along with the bank accounts and associated bank charges, are reconciled to the general ledger on a monthly basis. This provides assurance that all transactions have been processed correctly.
- Access to the Council's bank accounts is restricted to authorised members of staff within the Finance department. System controls ensure segregation of duties between raising and authorising transactions.
- Acquisitions and disposals of assets are appropriately authorised, with those retained valued at year end to ensure that figures stated in the statement of accounts are accurate.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'needs attention' recommendations have been made.

Budgetary control & control accounts

- Month end timetables are to be signed by staff members who complete tasks and are to be reviewed and signed by the Chief Accountant, to reduce the risk of key tasks not being completed.
- System access rights to Integra be reviewed, in particular for temporary members of staff, to reduce the risk of inappropriate changes being made to the system.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit on Accountancy Services was issued in January 2016, with a substantial assurance opinion. One recommendation was raised in the report and this has since been confirmed as implemented through Internal Audit's follow up checks.

Assurance Review of Accounts Receivable

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Raising of invoices*	0	0	0	0
Debtor accounts	0	0	1	0
Instalments	0	0	1	0
Bad debts	0	0	0	1
Total	0	0	2	1

SCOPE

The objective of the audit was to review the systems and controls in place within Accounts Receivable to establish if the controls in operation are adequate effective and efficient.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work.
- This assurance opinion has indicated that the overall level of control has improved since the previous audit report issued in January 2016.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- System access is designed to restrict the raising of invoices, credit notes and refunds to appropriate staff, including segregation of duties in the processes, minimising the risk of fraud or misappropriation.
- Prompt allocation of incorrectly coded income is attained through downloading daily bank statements and system reports, ensuring that income is not left unaccounted for, for extended periods.
- Debt management processes are in operation, with long standing debts reducing since the start of the financial year and minimal debt write off.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'needs attention' recommendations have been made.

Debtor accounts

- A review of all debtor accounts to be undertaken, to identify and purge any duplicate accounts, which will help to ensure that duplicate payments are not made and that the Councils records and associated data is up to date and accurate.

Instalments

- For licensing debtors where payments are made in instalments, standing orders need to be set up. Setting up a standing order would save on resources and time to manage payment collection, thus providing a more efficient service.

Operational Effectiveness Matters

The operational effectiveness matter for management to consider, relates to placing debtor accounts on hold which have debts written off against their accounts, to prevent further credit and thus potentially loss of income to the Council.

Other points

From review of the commercial property related invoices raised by the Asset Monitoring Officer, it was found that commercial properties rents had not been reviewed regularly. One of the invoices related to a commercial property where the lease charge had not been reviewed since 1999. There were others where the lease charge had not been reviewed since 2003, 2004 and 2007. The Chief Accountant subsequently confirmed that having raised the matter with the Commercial Property team, valid reasons for the leases not being reviewed existed. This was due to the state of the market and it being beneficial for the Council to leave the leases to 'run-on' as had a review been undertaken, the market rent was likely to go down and not up. The market conditions have now improved and remains stable. As a consequence, Commercial Property have already initiated the process of reviewing all leases to assess whether they should be re-assessed to increase income, or left to 'run-on' if the rent may go down. Due to the aforementioned, no recommendation is considered necessary. A review of Asset Management in August 2016 (BRK/17/06) did not raise any issues with regard rent/lease renewals.

Previous audit recommendations

The previous audit on Accountant Receivable was issued in January 2016, with a reasonable assurance opinion and five 'important' recommendations raised, all of which have since been confirmed as implemented.

A cross authority review of Accounts Receivable was undertaken, with the final report issued in March 2017, six comparator areas between Councils were highlighted, for management to consider, which have been considered and action taken where relevant

Assurance Review of Income

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	1*	1	0
Physical security surrounding the making of payments	0	0*	0	1
Banking	0	0	1	0
Reconciling income	0	0	0	1
Total	0	1	2	2

No new recommendations have been raised in respect of receipting of monies.

*One recommendation applies to two scope areas.

SCOPE

The objective of the audit is to review the systems and controls in place to help confirm that these are operating adequately, effectively and efficiently. The audit covered policies and procedures, physical security surrounding the making of payments, receipting of monies, banking, posting of income and reconciling income.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised two 'operational effectiveness matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- This assurance opinion has indicated that the overall level of control has slightly deteriorated since the previous audit report issued in March 2016, with one important and one needs attention recommendation being raised here as opposed to the two needs attention recommendations raised previously, hence the direction of travel indicates a deterioration since the previous review.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Clear payment guidance is available to the public to help facilitate the payment process for customers.
- A process is in place for ensuring levels of access to the Council's income system to help ensure that income records are secure.
- Control exists over all cash/cheque and bank transactions, helping to ensure that income is correctly accounted for. This includes a daily download which is posted automatically to the income system supported by daily exception reports to highlight any errors or omissions, which are then promptly investigated. These help ensure that income is correctly posted to the correct ledger codes.
- There are processes in place to undertake cheque retention and processing, helping to ensure that all cheques are processed promptly and correctly.
- A daily download is posted automatically to the income system and exception reports are run daily to highlight any errors or omissions, which are then promptly investigated. These help ensure that income is correctly posted.

ISSUES TO BE ADDRESSED

The audit has also highlighted the following areas where one 'important' recommendation has been made.

Policies and procedures and physical security surrounding the making of payments

- Finance staff to review the associated risks with the current level of access to the safe, and to take action as appropriate. Control weaknesses around access to the post room and the safe was subject to a separate investigation by the Head of Internal Audit, which resulted in suggested control improvements and the closure of the petty cash process. The recommendation in this report is to improve the control environment further.

The audit has also highlighted the following area where two 'needs attention' recommendations have been made.

Policies and procedures and physical security surrounding the making of payments

- Maintaining a record of all cash received, including evidence of two officers being present, will help reduce the risk of a loss of income at the point of receipt, resulting in financial loss to the Council.

Banking

- The Council to put in place and periodically review contingency plans should its current bankers fail, thereby reducing the risk of lost income, inability to make payments and reputational damage.

Operational Effectiveness Matters

The operational effectiveness matters for management to consider relate to the following:

- Consideration be given to banking all departmental cheques more promptly having considered the business case(s) for deferring banking.
- Consideration be given to the implementation of an independent review for daily reconciliations between bank statements and income accounts.

Assurance Review of Key Controls and Assurance

Executive Summary

OVERALL ASSURANCE ASSESSMENT



Control Area	Urgent	Important	Needs Attention	Operational
Payroll	0	0	1	0
Total	0	0	1	0

ACTION POINTS

No new recommendations were made as part of this Key Controls audit in respect of Accounts Payable, Accounts Receivable, Accountancy Services, Income or Assurance Framework. See 'Outstanding Previous Recommendations' section below for details of recommendations raised in those systems reports.

SCOPE

The objective of the audit was to review the systems and controls in place within Key Controls to support the Annual Governance Statement, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work.
- The previous audit of Key Controls and Assurance in 2016/17, also concluded in a 'Substantial' assurance opinion, having raised no recommendations, indicating a continued strong control environment in this area, hence the direction of travel remains unchanged.

KEY FINDINGS

Key Controls Testing

There are a number of key controls within the fundamental financial systems that are required to be covered by internal audit each year, in order to support the Annual Governance Statement (AGS) and the Head of Internal Audit's Annual Report and Opinion.

Under the agreed internal audit plan for 2017/18 a number of these material systems have been reported on in detail and those key controls have been addressed in each system reviewed, with some minor top up testing undertaken as part of this audit. Recommendations have been raised in these individual audit reports. The areas this applies to are:

- Accounts Receivable;
- Accountancy Services (general ledger, control accounts, asset management, treasury management and budgetary control);
- Cash Income and Receipt.

In addition, the key controls in the material systems that were not covered as part of the agreed internal audit plan for 2017/18 have been reviewed as part of this audit. The areas to which this applies are:

- Accounts Payable;
- Payroll;
- Assurance Framework.

The audit has highlighted the following area where one 'needs attention' recommendation has been made.

Payroll

- Copies of documents relating to starters need to be retained so as to reduce the risk of changes to records being made incorrectly.

Assurance Framework

A review of the assurance framework with the Council was also undertaken as part of the internal audit review. This focused on the structure of the assurance statements, responsibility for completion, evidence retained, the mechanism for incorporating information into the Annual Governance Statement (AGS), senior officer and member review of the AGS and subsequent review and monitoring of action plans.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The AGS included in the 2016/17 Statement of Accounts refers to the fact that heads of service completed assurance statements which feed into the assurance framework, highlighting the governance issues that need to be addressed.
- The AGS for 2016/17 was reviewed by the Governance and Audit Committee in July 2017.

Outstanding Previous Recommendations

There are no recommendations outstanding from previous financial years relating to key controls.

During 2017/18 key controls were also tested as part of the full reviews of Accounts Receivable, Income and Accountancy Services. One recommendation was made for key controls within the Accountancy Services audit, relating to the month-end sign off of tasks, including budget monitoring and reconciliations, which has already been implemented by management. No recommendations relating to key controls were raised in the Income or Accounts Receivable audits.

Assurance Review of Environmental Protection

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Contaminated Land	0	2	4*	0
Air Quality	1	1	2*	0
Private Water Supplies (Breckland only)	0	4	2*	0
Total	1	7	8	0

*Two recommendations apply to all three scope areas.

SCOPE

The objective of the audit was to review the systems and controls in place within Environmental Protection at Breckland District Council and South Holland District Council. This audit focused on air quality and contaminated land (at both Councils) and private water supplies (at Breckland only), to help confirm that these systems and controls are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Limited' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'urgent', seven 'important' and eight 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- There is a system in place across both Councils to manage the processes where user access rights are restricted to relevant, authorised personnel.
- There is a process in place for the assessment of potentially contaminated land and the placement of conditions through the planning process at both Councils, thus ensuring that the Council is monitoring and acting upon land where a risk of contamination is posed.
- There is a process in place at both Councils for the monitoring, management and annual reporting of air quality in line with the statutory requirements and action plans have been produced where required.
- Breckland Council maintains a record of all private water supplies and linked properties within the Flare system which is maintained and accessible to staff, thus ensuring that the Council is aware of and can monitor the water quality of private water supplies within the District.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings one 'urgent' recommendation has been made.

Air Quality

- Documentation be retained for all aspects of environmental permitting including: inspections, fee receipt, permit renewals and permit variations, thereby reducing the risk of invalid permits being issued and renewed, which may lead to breaches in regulations and fines being levied. (South Holland)

The audit has also highlighted the following areas where seven 'important' recommendations have been made.

Contaminated Land

- Documented procedures be put in place for contaminated land processes, which are to include a contingency procedure, thereby reducing the risk of tasks not being completed or being completed incorrectly and to ensure that the statutory requirements are adhered to. (Both Councils)
- A central record be compiled and maintained of sites within the District where contamination is possible, thereby reducing the risk of potential contamination occurring where sites have been unidentified, unaccounted for and not monitored. (South Holland)

Air Quality

- The Council to ensure that the correct fee amount and method of charging is levied for annual subsistence fees charged for permits issued, thereby reducing the risk of fees being incorrectly levied which may lead to a loss of income and a contravention of regulations. (South Holland)

Private Water Supplies

- A risk assessment programme be implemented and maintained for private water supplies, thereby reducing the likelihood of risk assessments becoming overdue and / or unaccounted for, reducing the risk to people's health through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)
- The risk associated with the backlog of private water supply risk assessments is to be assessed by management, and appropriate mitigation action put in place, which is then regularly monitored and reported on. This will reduce the risk of backlogs increasing and becoming unmanageable and consequently, reduce the risk to people's health through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)
- A report be presented to senior management on backlogs experienced for completing private water supply risk assessments in a timely manner. This will reduce the risk of backlogs being given insufficient attention and follow up and consequently, reduce the risk to people's health through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)
- The Council is to ensure that prompt action is undertaken where failures in private water supply sampling is identified, in line with policy and regulatory requirements, thereby reducing the risk of people's health being at risk through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)

The audit has also highlighted the following areas where eight 'needs attention' recommendations have been made.

- Version control be implemented for all procedure notes retained in relation to contaminated land (Breckland and South Holland), environmental permitting (South Holland) and private water supplies (Breckland), thereby reducing the risk of outdated or inaccurate procedures being adhered to. (Both Councils)
- Documented, regular and independent sample checks of permits issued, contaminated land searches and planning application consultations and private water supply risk assessments and sampling be undertaken, thereby reducing the risk of tasks being completed erroneously or fraudulently. (Both Councils)

Contaminated Land

- A policy be implemented with supporting procedure notes for undertaking contaminated land search enquiries, thereby reducing the risk of services being provided with no charges or incorrect charges levied. (Both Councils)
- Contaminated land search enquiries be acknowledged and responded to within the prescribed target dates set, thereby reducing the risk of complaints being received where acknowledgements and responses are not timely. (South Holland)

Air Quality

- The environmental permitting page of the Councils' websites be updated to provide the correct information and documentation, thereby reducing the risk of disputes arising where website users are misled by or relying upon inaccurate information. (Both Councils)
- Independent checks be undertaken on environmental permitting annual subsistence fees to be raised by the Council, thereby reducing the risk of income not being received or unaccounted for where charges are incorrect. (Breckland)

Private Water Supplies

- Documented procedures be put in place for private water supply risk assessments. This reduces the risk of tasks not being completed or being completed incorrectly and consequently, reduces the risk to people's health through drinking contaminated water and non-compliance with the Private Water Supplies Regulations 2009. (Breckland)
- Evidence of breakdown/calculation be retained of the fees charged for each private water supply sample undertaken, thereby reducing the risk of incorrect fees being charged leading to financial loss for the Council. (Breckland)

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Other issues of note

Testing identified a backlog of risk assessments for private water supplies. This backlog arose due to changes in regulation, a lack of resource within the team and other work being given a higher priority. The Environmental Protection Manager stated that, on the back of previous Drinking Water Inspectorate (DWI) return issues, the identification and consideration of the risk assessments needing attention has been an ongoing process for some time and the team now has a good understanding of the risk assessments outstanding. The backlog of risk assessments and limitation on resource has also impacted on the sampling requirements for private water supplies. Recommendations have been raised within this report to ensure that the risks posed by the lack of risk assessment and sampling requirements are accounted for.

Audit identified that, the Local Air Quality Management Annual Progress Report 2017 for South Holland has not been submitted to DEFRA and published on the Council's website. Although a draft report has been produced, the delay in submission is due to a consultation being undertaken with DEFRA regarding funding required to undertake extra investigatory work before the final report can be submitted. Audit has been informed that this consultation is on-going

Assurance Review of Corporate Governance Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Robustness of new processes put in place	0	1	1	2
Member training (in the new standards arrangements)	0	0	1	0
Comparison of turnaround times for complaints, between previous and new arrangements	0	1	1	0
Total	0	2	3	2

SCOPE

The objective of the audit is to review the systems and controls in place within Corporate Governance to help confirm that these are operating adequately, effectively and efficiently. The review, which will cover both Councils, will specifically focus on the new standards arrangements for Members.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised two 'operational effectiveness matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

Robustness of new processes put in place

- Changes to the old / new standards arrangements were clearly defined for both Councils in the respective reports to full Council on 6th April 2017 for Breckland and 1st November 2017 for South Holland to inform Council Members in their decision to adopt the new processes.

Comparison of turnaround times for complaints

- Both Councils produce a Standards Annual Report which is reported to the Governance and Audit Committee at Breckland and the Standards Panel at South Holland. This includes details of the number of complaints that have been received and the relevant outcomes providing an overview for Members and demonstrating the Council's compliance with the requirements of the Localism Act 2011, to have processes in place for dealing with complaints against Members of the district, town and parish Councils within the district.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

Robustness of new processes put in place

- Acknowledgement letter to complainant and subject Member to include a summary/relevant part(s) of the Members' Code of Conduct that it is alleged may have been breached. This should assist in mitigating the risk of misunderstanding from the outset and the reason for the complaint being pursued incorrectly. (Breckland)

Comparison of turnaround times for complaints, between previous and new arrangements

- An analysis of complaints to be undertaken of processing times between the current and previous systems, including highlighting any exceptions such as complaints having taken longer than expected with reasons for this being stated. This helps mitigate the risk that unnecessary system/process changes are adopted leading to poor performance and adverse reputation of the Council. (Breckland)

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Robustness of new processes put in place

- Members are notified of the change in wording included in the Members' Code of Conduct published on the Council's website, thereby mitigating the risk that gifts and hospitality are not declared in accordance with the current Members' Code of Conduct leading to potential complaints being made against those Members for non-compliance. (Breckland)

Member training (in the new standards arrangements)

- Annual letters to be sent to all Members reminding them of their requirements in registering DPI (Disclosable Pecuniary Interests) and other registrable interests in addition to a reminder of the requirements of the revised standards arrangements. This helps mitigate the risk that Members are not provided with the necessary knowledge of the current standards should a complaint be levied against them and thus, do not follow correct procedures. (South Holland)

Comparison of turnaround times for complaints, between previous and new arrangements

- The complaints spreadsheet record to be fully populated and decision notices to be retained on file, thereby mitigating the risk that processes are not being followed as laid down leading to a poor service delivery including a delay in responses to complainants. (Breckland)

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- To include a link to the Members' Code of Conduct within the 'how to make a councillor complaint' page Breckland Council website. (Breckland)

The arrangements documentation is revised to include an appendix covering key criteria for assessment of complaints; adoption of flowchart depicting the various stages; and definitions of key officers and terms. This thereby helping to mitigate the risk that the process is unclear leading to misunderstanding and uncertainty over the arrangements. (Both Councils)

Assurance Review of Risk Management

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Management and monitoring of risks	0	0	2	0
Total	0	0	2	0

No recommendations have been raised in respect of risk policy or reporting and management of risks.

SCOPE

This is a joint audit review which focusing on the use of the Pentana performance system, the role of the Performance, Risk and Audit Board and the information reported to the Governance and Audit Committees.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'needs attention' recommendations being raised upon the conclusion of our work.
- It is recognised that the risk management policy requires formal sign off, however audit testing has highlighted that the requirements of the new policy have already been adopted in practice.
- A direction of travel indicator is not provided since this area has not been covered previously at South Holland District Council and with a Position Statement having been provided for the previous review at Breckland District Council, as part of the 2015/16 audit plan.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- All risks are assigned to a responsible officer and manager who then ensures that risks are updated regularly and mitigations put in place.
- Triggers are set within the Pentana performance system to automatically alert responsible officers when updates are due, to ensure that risks are reviewed on a regular basis.
- Regular updates on risk management are provided to the joint Performance, Risk and Audit Board and through to the Executive Management Team, ensuring oversight from senior management. Thus ensuring that robust governance arrangements are in place.
- Each Council's Governance and Audit Committee receives quarterly updates on the Strategic Risks at the Council, so that there is oversight from Members. Thus further strengthening the governance arrangements.
- The Governance and Audit Committee at Breckland has provided feedback to the team on the presentation of the quarterly strategic risk register to ensure that the information is presented in a more meaningful way.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'needs attention' recommendations have been made.

Management and monitoring of risks

- Breckland IT department's operational risks to be recorded on Pentana, to mitigate against risks not being managed consistently and effectively across the Council.
- The risk management framework is updated to include the process by which risks are removed from the strategic risk register, to reduce the risk of such decisions being made inconsistently and of risks being removed erroneously.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

A review of Risk Management (BRK/16/01) was completed as part of the 2015/16 audit plan for Breckland Council. This culminated in a final Position Statement being issued in December 2015, detailing a number of suggested actions rather than formal audit recommendations. This area has not been subject to previous audit scrutiny at South Holland District Council by TIAA. As a result, there are no outstanding audit recommendations relating to risk management.

Other points noted

The Risk Management Framework, which includes the Risk Policy and Strategy for both Councils, is in the process of being updated. This document reflects the strategic direction of the Councils towards risk management and current practice is aligned to the new policy. The first draft of the new policy for Breckland was submitted to the Governance and Audit Committee in December 2017 and a revised version was presented at the February 2018 meeting. Further changes were requested and a final version will be submitted in June 2018. The policy will then need approval from Cabinet, is scheduled for July 2018. The South Holland policy will be essentially the same and will go through the Audit Committee and Cabinet cycle after the Breckland policy has been approved. As such, no recommendation has been raised.

Assurance Review of Cybersecurity

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Information Risk Management Regime	0	3	1	1
Secure Configuration	0	2	0	1
Network Security	0	1	1	0
Incident Management	0	1	0	0
Malware Prevention	0	0	2	0
Monitoring	0	0	0	2
Removable Media Controls	0	0	1	0
Home & Mobile Working	1	1	1	0
Total	1	8	6	4

SCOPE

The scope of the review includes policies, procedures and risk management activities in place for the key elements of the National Cyber Security Centre's "10 steps to Cyber Security" framework including Information Risk Management Regime, Secure configuration, Network security, Managing user privileges, User education and awareness, Incident management, Malware prevention Monitoring, Removable media controls and Home & mobile working. The scope of the review does not include detailed testing of the robustness of internal controls, or assess whether there is evidence of possible fraudulent actions.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Limited Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'Urgent, eight 'Important' and six 'Needs Attention' recommendations being raised upon the conclusion of our work.
- However, we have also noted the confirmed implementation of the urgent recommendation, one 'Important' and one 'Needs Attention' recommendation since the draft version of this report was issued.
- The audit has also raised four 'Operational Effectiveness Matters', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Council has a documented Counter Fraud, Corruption and Bribery Policy that is owned by the Finance Department. Having a documented policy covering this area is key to ensuring that potential cybercrime is treated in the same way as any other fraud that is detected by the Council.
- All new starters are required to sign off their confirmation that they have read and understood a range of Council policies, including the ICT policy. Having all staff make such confirmations helps to demonstrate that the Council is taking steps to raise awareness of Council policies and help to secure the Council's data from unauthorised access.
- The Service desk product (ManageEngine) is used to help manage software and hardware inventories and is linked to Active Directory. Unauthorised software cannot be installed by staff as their accounts are not administration accounts, thus helping to ensure that unauthorised software cannot be installed on Council systems. There are a range of reports available to show various asset views to help demonstrate that the Council is only using authorised and licenced software and hardware and that anything potentially unauthorised can be detected and removed in a timely manner.
- The Council uses a tool known as Nessus to conduct periodic internal vulnerability scans. This has been noted as being in place for some weeks and is being used to detect vulnerabilities in a 'before' and 'after' scan. A scan is conducted before patches and other 'fixes' are applied and another scan is conducted after patches have been installed to confirm that the vulnerabilities detected in the 'before' scan have been addressed.

- The ManageEngine product scans all machines on a regular basis to detect installed software. Staff cannot install software, hence the risk of unauthorised software being present is low. The Sophos Endpoint Protection infrastructure, which helps protect Council devices against the threat of malware and other threats, has application controls built in and these have been configured to detect attempts to install software and block them. Typically, such events are occurring in the background without staff knowledge (e.g. websites trying to install software) or where staff have acknowledged a prompt to install an update (e.g. to adobe reader).
- There are separate password policies in place for normal and administrator users. These are system controls that automatically ensure that passwords meet the required standard.
- The Council has used onsite Waste Electrical and Electronic Equipment (WEEE) destruction services for decommissioning relevant devices and storage media. The last time this was done was July 2017, with records of media included in the destruction process being kept. It was also noted that Council staff witnessed the physical destruction of all relevant media during the onsite visit.
- Council laptops and Surface devices are encrypted with Bitlocker 128, which is to be upgraded to Bitlocker 256 when Windows 10 is deployed.
- Cyber risk is being monitored on the Council's strategic risk register, which undergoes regular review and which helps to demonstrate awareness of the risks concerned and the mitigations in place.
- The Council has registered with the National Cyber Security Centre's Cyber Security Information Sharing Partnership (CiSP). The partnership is a joint industry and government initiative set up to exchange cyber threat information in real time thus helping to increase situational awareness and reducing the impact on UK business.

ISSUES TO BE ADDRESSED

The audit has highlighted the following area where one 'Urgent' recommendation has been made.

Home and Mobile Working

- The ability to save Council documents to a device not owned or controlled by the Council need to be removed when using the Citrix remote working facility. This is to help prevent the loss of potentially sensitive Council data and help with General Data Protection Regulation (GDPR) compliance.

The audit has also highlighted the following areas where eight 'Important' recommendations have been made.

Information Risk Management Regime

- The ICT Security policy requires review so that it remains aligned to changing Council requirements and current ICT-related issues and threats.

- Social Media training is to be developed so that officers understand how to use social media platforms for the benefit of the Council and its customers. Recent training was provided to member and it may be prudent to offer refresher training as needed.
- Cyber Security training is to be developed for officers and members to help enhance network controls and data security by raising awareness of risks such as email phishing.

Secure Configuration

- Appropriate change controls need to be implemented that are proportionate to the Council's requirements so that all changes are recorded and managed in such a way as to reduce the risk of unmanaged changes being implemented.
- Access needs to be restricted to all but permitted external devices such as memory sticks and other devices that have been requested to be whitelisted from connecting to Council systems to reduce the risk of unauthorised software such as viruses and malware being introduced to the network.

Network Security

- A risk assessment needs to be undertaken in relation to the lack of firewall resilience so that relevant risks resulting from this are mitigated appropriately.

Incident Management

- The connectivity between Breckland and South Holland Councils needs to be tested on a periodic basis once it is available for use. This is to help show that the connectivity can be initiated on demand at any time and that service disruptions are managed adequately.

Home and Mobile Working

- The Council needs to ensure that the "Find my iPhone" option is enabled so that iPhones and iPads issued to members can be remotely wiped should they be lost or stolen.

The audit has also highlighted the following areas where six 'Needs Attention' recommendations have been made.

Information Risk Management Regime

- The possibility of deploying appropriate Data Loss Prevention systems needs to be considered as part of an Office 365 rollout, or by other means. This is to help prevent sensitive data from being removed from Council systems by monitoring the copying of data to external devices, together with the physical prevention of data marked as sensitive from being copied.

Network Security

- The Council needs to upgrade or replace its IDP250 appliance. This monitors all network traffic for possible attempts to gain unauthorised access, which is currently supported by other processes in place. Although the weakness is considered to be a lower risk, improvements will help ensure that there is an adequately supported intrusion Detection system in place.

Malware Prevention

- The Sophos overnight full scan configuration needs investigating as it does not appear to be working as expected. The configuration appears to be designed to conduct a full virus scan of every Officer's laptop or PC every night. However, this would require Sophos to switch on the machines remotely each night, which is not a function that Sophos is capable of. The scan is to help supplement the existing 'on-access' scanning of individual files and folders as they are opened by officers and members.
- The Sophos ability to detect adware and suspicious files needs to be enabled so that the detection capabilities of the Sophos system are enhanced to a greater heuristic level.

Removable Media Controls

- A formal removable media policy needs to be documented and agreed for relevant staff issued with such devices to sign off so that its requirements in this area are explicitly set out and implemented.

Home and Mobile Working

- A formal mobile security policy needs to be documented and agreed so that its requirements in this area are explicitly set out and implemented. It is also noted that the ability to access Council data on smartphones and tablets is limited.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- Seeking Cyber Essentials Scheme (CES) accreditation;
- Procuring USB memory sticks and issuing them to staff as the only authorised USB device for saving documents to;
- Drafting and agreeing an appropriate IT systems monitoring policy; and
- Procuring an appropriate Security Information and Event Management (SIEM) system for collating all system logs.

Assurance Review of the Private Sector Housing Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and Procedures	0	0	2	0
HMOs	2	2	0	0
Empty Dwellings	1	2	1	0
DFGs	0	2	0	0
Management arrangements	0	0	0	1
Total	3	6	3	1

SCOPE

The audit focused on the systems and controls in place in respect of Private Sector Housing, to help confirm that these are operating adequately, effectively and efficiently. The review specifically covered: Houses in Multiple Occupation (HMO) - licensing and standards; Empty Dwellings and enforcement; and Disabled Facilities Grants (DFGs) / Reable Grants.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Limited Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'urgent', six 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- No direction of travel is provided as the areas under scope have not been subject to previous review.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- There is a 'Housing' section on the Council's website which provides relevant information on the guidance, help and support offered by the Council for HMOs, DFG and empty dwelling owners.
- Quarterly account meetings take place to highlight ongoing service issues and budget monitoring, this ensures informed management decisions to be made.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where three 'urgent' recommendations have been made.

House in Multiple Occupation (HMOs)

- Documented licence conditions are to be enforced and the relevant evidence be retained and where a landlord has not provided evidence requested or failed to meet licence conditions, then formal enforcement actions be taken as necessary. This will prevent the risk of endangering the life and property of tenants and occupiers of HMOs where the Council has failed to discharge its statutory responsibilities.
- To promptly complete all fire risk assessments and to issue licences in a timelier manner, including clearly communicating this information to the Housing Team, thereby reducing the risk of people living under unsatisfactory conditions in unlicensed HMOs

Empty Dwellings

- The methods set out in the Empty Dwellings Policy for identifying the number of empty dwellings are to be undertaken regularly as stated, thereby reducing the risk of anti-social behaviour and other hazards that may be caused by decay of empty dwellings.

The audit has also highlighted the following areas where six 'important' recommendations have been made.

Houses in Multiple Occupation (HMOs)

- A proactive approach is to be put in place for identifying prospective HMOs, thereby reducing the risk of people living under unsatisfactory conditions in unlicensed HMOs and loss of income due to licences not being issued.
- All income from HMO applications to be reconciled to the Finance system, Integra, to ensure all money received has been correctly accounted for, thereby preventing the risk of inaccuracies in financial reporting upon which management decisions are based.

Empty Dwellings

- As stipulated by the Empty Dwellings Policy, an annual target of empty property to be brought back into use or demolished is to be set each year and included in the Council's annual Delivery Plan, and the relevant actions suggested to achieve the target also be put in place, thereby reducing the risk of anti-social behaviour and other hazards that may be caused by decay of empty dwellings.
- Decision is to be taken by Management on all types of financial assistance to be provided by the Council to bring empty dwelling back into use, including 'Restore Grants' and private sector leasing, and all the agreed assistance and criteria for applying for or awarding each type of financial assistance be detailed in the Empty Dwellings Policy. This will prevent the risk of unrealistic or unsustainable expectations about the financial assistance being offered by the Council, which may lead to bad reputation.

Disabled Facility Grants (DFGs) and Reable Grants

- Steps are to be taken to ensure accuracy of grant and payment information recorded on Flare and Integra, and especially ensuring that respective figures recorded on both systems agree and that invoices are only submitted for payment after all the requisite checks have been applied, thereby reducing the risk of inaccuracies in financial reporting upon which management decisions are based.
- All relevant paper records, including original and amended grant approval forms, complete occupational therapist assessment forms, and invoices be scanned onto Flare, thereby preventing the risk of inaccurate financial data upon which management decisions are based.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Policies and Procedures

- Procedure for Reable Grants are to be developed and approved, thereby ensuring that staff and the public are aware of relevant processes and reducing the risk of unrealistic expectations.
- All Policies be approved by an appropriate committee; with approval dates stated on the Policies, and the Policies be made available to all relevant staff on the Council's intranet and where appropriate, be published on the Council's website, these are also to be reviewed regularly. This will help to reduce the risk of bad reputation which may be caused by out of date Policies, as well as the risk of not being able to hold property owners responsible for non-compliance with Policies.

Empty Dwellings

- References to the provision of domicile financial assistance be removed from the Council's website and the Empty Dwellings Policy, thereby preventing the risk of bad reputation by misleading the public which may be caused by undue expectations from property owners.

Operational Effectiveness Matters

The operational effectiveness matter, for management to consider relate to the following:

- To consider using Flare as a primary source for retaining documentary evidence in administering all services in scope, rather than retaining manual records.

Other points noted

The Housing Manager advised that no empty dwelling management order (EDMO) has been issued in the last few years. This is mainly due to limited staffing resources and EDMOs are quite resource intensive to administer. It was also advised that no other Council in Norfolk uses this method. The Empty Dwellings Policy states that where there is insufficient progress towards resolution of an empty dwelling, whether an owner has been identified or not, consideration will be given to enforcement action. The preferred enforcement route will be through Interim and Final Empty Dwelling Management Orders, (EDMOs). This is a discretionary power to secure proper management, and occupation, of a long term empty dwelling, which is handled by Havebury Housing Association on the Council's behalf. As this is a discretionary decision, no recommendation has been made in this instance.

The Housing Manager also advised that there is going to be a move towards digital applications and approval. This has been the subject of an ongoing service review and a Partnership Framework is being proposed, with internal efficiencies built in. The arrangement is currently scheduled to be in place by 1st July 2018. This change was also confirmed in the performance report for month 11 which stated that the way DFG's are administered is being reviewed by the Housing Manager and options are being prepared to ensure that target income in the revenue budget is achieved and that maximum benefit from this funding is achieved.

Position Statement – Transformation Programme

Executive Summary

INTRODUCTION

1. This review was carried out in March 2018 as part of the planned internal audit work for 2017/18. Through discussions with the Executive Manager – People and Public Protection, during the planning stage, it was agreed that this review would provide an overview of the operations of both the Strategic and Operational Transformation Boards, with a focus on the monitoring of outcomes of projects to ensure that they have been realised.

It was agreed with both the Executive Manager – People and Public Protection and the Corporate Improvement and Performance Manager that the review would focus on three particular projects that had been through the boards and approved by members, with agreed actions now being implemented. These were Legal Services (both Councils), Corporate Improvement and Performance (CIP) (both Councils) and Human Resources (HR) (Breckland only).

SCOPE

2. The objective of the review was to highlight any possible areas for improvement and provide a 'position statement' to the Executive Manager – People and Public Protection and the Corporate Improvement and Performance Manager on the outcomes of the review, as outlined above.

MATERIALITY

3. The primary aim of the two Transformation Boards is to deliver a series of transformation programmes (including projects and services reviews) as part of the Moving Forward Programme that will provide a return on investment and / or deliver savings for both Councils.

KEY FINDINGS

4. The review considered the observations and suggested actions and improvements to be made from analysis of the systems and controls in place as well as those due to be implemented within the remaining planned work.

AUDIT OBSERVATIONS

5. The audit has concluded with a number of suggested action / improvements presented to management for consideration. These will help management to work towards assessing the efficiency and effectiveness of the recently updated separate Operational and Strategic Board structure in delivering the Transformation Programme.

Key suggested action / improvements include:

- The Terms of Reference of the Operational Board need updating to remove reference to specific officers, such as the Corporate Improvement and Performance Manager, from the quorum requirements and instead refer to requiring a representative of the CIP team; this is an interim measure in lieu of proposed changes to the governance arrangements potentially seeing the cessation of the Operational Board.

- Implementation dates should be promptly recorded on the benefits tracker for all project outcomes, to improve the monitoring of benefits for all projects and reviews.
- If the Operational Board is removed under the new governance arrangements, there is still a need to document decisions and actions prior to projects reaching the Strategic Board. The existing decision proforma, for decisions made outside of board meetings, could be used or adapted for this purpose.