

Audit Committee

Agenda

Members of the Audit Committee

Mr N C Shaw
(Chairman)

Mr P H Carrick
(Vice Chairman)

Mrs B H Rix
Mr V B Tapp
Mrs K A Vincent

Substitutes **Conservatives**

Mr G Everett
Mr I G Graham
Mr I J Mackie

Liberal Democrat
Mr D G Harrison

Date

Thursday 11 January 2018

Time

10.00 am

Place

Trafford Room
Thorpe Lodge
1 Yarmouth Road
Thorpe St Andrew
Norwich

Contact

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If any member wishes to clarify details relating to any matter on the agenda they are requested to contact the relevant Head of Service.

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**The Chairman will ask if anyone wishes to
film / record this meeting**

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P C Kirby
Chief Executive

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 21 September 2017** at **10.00am** when there were present:

Mr N C Shaw – Chairman

Mr P H Carrick

Mrs B H Rix

Mr V B Tapp

Mrs K A Vincent

Also in attendance were the Head of Finance and Revenue Services, Internal Audit Consortium Manager, Corporate Finance Manager and the Committee Officer (JO).

Alison Riglar (Ernst & Young) attended the meeting for its duration.

14 DECLARATIONS OF INTEREST UNDER PROCEDURAL RULE NO 8

Member	Minute No & Heading	Nature of Interest
Mrs Vincent	16 – Progress Report on Internal Audit Activity	Local Choice non pecuniary interest – married to a director of Broadland Growth Ltd

15 MINUTES

The Minutes of the meeting held on 27 July 2017 were confirmed and signed by the Chairman as a correct record.

16 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

The Committee considered a report which reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2017/18 during the period 1 April to 8 September 2017.

It was noted that there had been no significant change to the Audit Plan over this period and progress to date was in line with expectations, with 66 days of programmed work having been completed, equating to 46 percent of the Internal Audit Plan for 2017/18.

During the period covered four final assurance reports had been completed. These were for: Broadland Growth Ltd, Planning, Social Media and Disaster Recovery and Carrowbreck Physical Recovery. All four Audits had received 'reasonable' assurances.

As a result of the Audits, 16 recommendations had been raised, including seven priority two recommendations that were required to be implemented

within three months. The recommendations had all been agreed by management.

A further five audits had been allotted for quarter three and quarter four of 2017/18.

Members were advised that all the recommendations in respect of Broadland Growth Ltd would be implemented by November 2017.

The Internal Audit Consortium Manager informed the meeting that a number of the other local authorities in the Audit Consortium had development joint venture companies (JVC) all of which were set up slightly differently. Auditing these various JVCs had assisted in identifying best practice and had led to the recommendations made in respect of Broadland Growth Ltd.

It was also emphasised that the Broadland Growth Ltd audit was aimed at mitigating risk for the Council as a 50 percent shareholder in the JVC, not for the company as a whole. Broadland Growth Ltd had its own audit arrangements in place as a separate entity from the Council.

A report on Broadland Growth Ltd would be made to the 10 October 2017 Cabinet, which would confirm that the investment made by the Council in the JVC had resulted in a better rate of interest being returned than was available elsewhere.

In respect of the Planning audit recommendation regarding enforcement workflow charts, Members were advised that this would allow for more consistent notifications, without adding too much of an administrative burden.

The recommendation in respect of S106 Agreements would ensure that the funds were used before deadlines were reached, as this could be a reputational risk for the Council if they had to be returned to developers.

RESOLVED:

to note the progress in completing the Internal Audit Plan of work and the outcomes of the completed audits to date for the 2017/18 financial year.

17 AUDIT COMMITTEE SELF-ASSESSMENT EXERCISE

The Committee considered a report which presented the checklist that had been produced following the self-assessment exercise undertaken by the Committee on 29 June 2017.

The checklist comprised 20 questions in respect of good practice covering the

purpose, governance, function and effectiveness of the Audit Committee.

Members noted that the role and purpose of the Audit Committee was only partially understood across the authority and it was suggested that Members receive a presentation on the work of the committee. In response, the Head of Finance and Revenue Services confirmed that she and the Internal Audit Consortium Manager would put together a presentation highlighting the work of the committee for a future meeting of Council.

The following action points were raised in the report in respect of risk:

- Risk implications in reports to be further explored and the Council to look to providing fuller explanations.
- To consider receiving service reports from Heads of Service at committee, to bring an insight into the service level risks.

The Committee commended the action points and the Head of Finance and Revenue Services confirmed that she would discuss these matters with the Corporate Leadership Team.

In respect of the question about assessment of the Audit Committee against the core knowledge and skills framework, Members were advised that the Committee acquired this knowledge through experience and training, but had not been formally assessed. This was a common feature amongst Audit Committees and was not an issue of undue concern.

The following action point was raised in the report in respect of financial implications:

- Financial implications in reports to be further explored and the Council to look to providing fuller explanations.

The Head of Finance and Revenue Services confirmed that all Cabinet reports included paragraphs on resource implications. All Members also received notification of when agenda for all Cabinet meetings were available on their iPads.

RESOLVED:

to approve the checklist and the associated action points.

18 REVIEW OF CORPORATE PROSECUTION POLICY

The Committee considered a report which presented a revised Corporate

Prosecution Policy that would better reflect the much wider field that the Fraud Officer operated in following the transfer of fraud staff to the Department of Work and Pensions (DWP). It had also been necessary to update the Policy to cover the legislative powers available to the service and to ensure that the Council was legally compliant when investigating fraud.

The Head of Finance and Revenue Services advised Members that the level of fraud work undertaken at Broadland was unique amongst Norfolk local authorities. The results of the submission by the Council for the Excellence in Counter Fraud Award would be announced next month.

RECOMMENDED TO COUNCIL:

to adopt the Corporate Prosecution Policy (as attached at Appendix 1).

19 ANNUAL AUDIT LETTER 2016/17

The Committee received the Annual Audit Letter for the year ended 31 March 2017.

The audit gave an 'unqualified' conclusion that the financial statements provided a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.

Other information published with the financial statements was also found to be consistent with the Statement of Accounts and it was concluded that proper arrangements were in place to secure value for money within the Council's use of resources. No other significant issues had been identified.

An audit of Housing Benefit would be completed by 30 November 2017; the Committee would receive a report on this in the New Year.

RESOLVED:

to note the Annual Audit Letter 2016/17.

20 WORK PROGRAMME

The Committee was advised that a number of External Audit items would be forwarded to the Committee Officer following the meeting.

The meeting closed at 10.44 am

PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Portfolio Holder: Finance
Wards Affected: All

1 SUMMARY

- 1.1 This report reviews the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2017/18 during the period 9 September to 20 December 2017, and includes executive summaries in respect of audit reviews which have been finalised over this period.

2 KEY DECISION

- 2.1 This is not a key decision.

3 BACKGROUND

- 3.1 The Audit Committee receive updates on progress made against the Annual Internal Audit Plan. This report forms part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.
- 3.2 The Public Sector Internal Audit Standards require the Chief Audit Executive to report to the Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk exposures and control issues. To comply with the above the report identifies:
- 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.

4 THE ISSUES

- 4.1 The current position in relation to the delivery of the Annual Internal Audit Plan 2017/18 is shown in the report attached.

5 ALTERNATIVE COURSE OF ACTION

- 5.1 Not applicable to this report.

6 PROPOSED ACTION

- 6.1 For the Audit Committee to review the progress made in the delivery of the Annual Internal Audit Plan for 2017/18.

7 RESOURCE IMPLICATIONS

- 7.1 There are no resource implications arising from this report.

8 LEGAL IMPLICATIONS

- 8.1 There are no legal implications arising from this report.

9 RISK IMPLICATIONS

- 9.1 Failure to undertake the Annual Internal Audit Plan could result in additional risks to the Council, through the Internal Audit Consortium Manager not being able to provide an annual opinion. There is also the risk that reductions in Internal Audit coverage could permit on-going weaknesses in the internal control environment at the Council not being detected and reported upon, and subsequently subject to remedial work being taken.

10 EQUALITIES IMPLICATIONS

- 10.1 There are no equality implications arising from this report.

11 CONCLUSION

- 11.1 The 2017/18 Annual Internal Audit Plan is progressing as expected.

12 OPTIONS

- 12.1 The Audit Committee has the following options:

that Members note the progress in completing the Internal Audit Plan of work and the outcomes of the completed audits to date for the 2017/18 financial year.

Emma Hodds
Head of Internal Audit for Broadland District Council

Background Papers

None

For further information on this report call Emma Hodds on (01508) 533791 or e-mail ehodds@s-norfolk.gov.uk.

Eastern Internal Audit Services



Broadland District Council

Progress Report on Internal Audit Activity

Period Covered: 9 September to 20 December 2017

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

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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 16 March 2017, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered, with amendments to the plan agreed by the Committee over the course of the year. There has been the following significant change to the audit plan:

Audit	Nature of change
Apprenticeships Replace with GP Referrals	<p>The close down of the apprenticeship service has been completed, with all apprentices being moved to another provider or their course completed by 31st July 2017, with notification to the SFA (Governing body) complete. The SFA have advised that they do not wish to inspect this as it is very clean cut.</p> <p>Instead it was proposed and agreed with the Section 151 Officer that the GP referral service was reviewed instead.</p> <p>There is a cost to the Council in providing this service, with some income generation, whilst it does provide what seems to be a very needed service in the community. There may be opportunities for generating more income/reduce costs.</p>

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing the audit to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 108 days of programmed work has been completed, equating to 75% of the internal audit plan for 2017/18.

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 three final assurance reports:

Audit	Assurance	P1	P2	P3
Environmental Health	Substantial	0	0	3
Income	Substantial	0	0	1
Planning (IT) Application	Limited	0	2	1

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

- 4.5 As can be seen in the table above as a result of these audits seven recommendations have been raised, all of which have been agreed by management and three of which have already been implemented (Environmental Health).
- 4.6 It is pleasing to note that that two audits concluded in a positive opinion, with no issues that would need to be considered at year end and included in the Annual Governance Statement.
- 4.7 The audit review of the Planning IT Application did note control weaknesses; however these were related to the IT application itself and not the control processes within the Council. Whilst these weaknesses need to be reflected in the assurance opinion, this is not something that would be raised in the Annual Governance Statement.

5. PERFORMANCE MEASURES

- 5.1 The new 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 4 areas. The performance measures can be seen at **Appendix 3**.
- 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 The audit reviews for quarters one, two and three have been completed and a report on the performance measures provided, performance is currently at green status with targets having been satisfactorily met so far for 2017/18.
- 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 completion of the internal audit work for the year is progressing as expected, as reflected in **Appendix 1** of this report.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Apprenticeships	BRD1801	2	0	0							
Broadland Growth	BRD1802	8	8	8	Final Report issued 28 July 2017	Reasonable	0	5	1	0	21 September 2017
Planning	BRD1812	20	20	20	Final Report issued 16 August 2017	Reasonable	0	0	4	0	21 September 2017
TOTAL		30	28	28							
Quarter 2											
Environmental Health	BRD1804	15	15	15	Final Report issued 20 September 2017	Substantial	0	0	3	0	11 January 2018
TOTAL		15	15	15							
Quarter 3											
Accounts Receivable	BRD1806	10	10	9	Draft Report issued 15 December 2017						
Income	BRD1807	7	7	7	Final Report issued 18 December 2017	Substantial	0	0	1	0	11 January 2018
Apprenticeships- GP Referral Scheme	BRD1811	10	12	11	Draft Report imminent						
TOTAL		27	29	27							
Quarter 4											
Key Controls and Assurance	BRD1809	14	14	0	Audit to start 16th January 2018						
Accountancy Services	BRD1810	16	16	0	Audit to start 4th January 2018						
TOTAL		30	30	0							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
IT Audits											
Disaster Recovery	BRD1803	10	10	10	Final Report issued 15 August 2017	Reasonable	0	2	2	1	21 September 2017
Social Media	BRD1805	10	10	10	Final Report issued 6 September 2017	Substantial	0	0	2	1	21 September 2017
Planning Application	BRD1808	10	10	10	Final Report issued 13 December 2017	Limited	0	2	1	0	11 January 2018
TOTAL		30	30	30							
Follow Up											
Follow Up	NA	12	12	8							
TOTAL		12	12	8							
TOTAL		144	144	108			0	9	14	2	
Percentage of plan completed				75%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Environmental Health

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Licensing	0	0	1	0
Food safety	0	0	1	0
Health and safety	0	0	1	0
Total	0	0	3	0

SCOPE

The Licensing Team has been through system redesign since the last review so this audit focused on ensuring appropriate controls have remained in place. The Food Safety Team follows the national rating scheme and is a large area of work for the Council. Health and Safety is now a reactive service in terms of responding to complaints, unsafe assets etc., and no longer provides proactive work.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three '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:

- The Council maintains an up to date licensing register and entries can be viewed on its website.
- Action is taken in response to complaints about potential licence breaches and records of this are retained.
- Fees are received before all licences are issued, and fees are charged in line with rates set by Council each year.
- New food businesses register with the Council before opening.
- Food premises are inspected according to a risk-based schedule.
- Changes to processes following the systems thinking review have resulted in efficiency savings.
- Inspections are conducted in accordance with the Food Standards Agency's Food Hygiene Rating Scheme.
- Food businesses with poor hygiene ratings are followed up to ensure improvements are made.
- The Council reviews health and safety incidents in order to identify trends and high-risk areas.
- A database of all noise complaints received by the Council is maintained.
- Prompt action is taken, in accordance with new procedures, in response to complaints about noise.

ISSUES TO BE ADDRESSED

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

Licensing

- The Council retains evidence of inspections of new licensed premises, to reduce the risk of licences being issued inappropriately and provide assurance that all necessary work has been carried out prior to issuing the licence.

Food safety

- Closed food complaints are recorded on the complaint report form, so that it is clear that no further action needs to be taken and to reflect that the Council has taken the appropriate action to mitigate the risks associated with the complaint.

Health and safety

- Open cases for health and safety incidents are monitored for recent action, to reduce the risk of incidents not being fully investigated and to ensure that appropriate action has been taken following the incident.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit on Environmental Health (BRD1513) was undertaken in 2014/15, with the final report issued on 15th May 2015. The audit provided two assurance ratings: Substantial Assurance for Pest Control and Stray Dogs and Reasonable Assurance for Private Water Supplies, Assisted Burials and Environmental Protection. The audit raised six medium priority and four low priority recommendations, all of which have been implemented and verified as part of our separate follow up process.

An audit was also undertaken on the Environmental Health Application (Flare – BRD1715) in 2016/17, providing Reasonable Assurance and raising one important and two needs attention recommendations, along with one operational effectiveness matter. A priority two recommendation remains outstanding, regarding the enhancement of password controls. This remains outstanding at the time of this audit and will continue to be monitored through internal audit's follow up process.

Other points of note

It was also noted during the audit that there are no up to date procedure notes for noise complaints. The current process has been in a six month trial period since February 2017, and new procedures will be created once the trial has concluded. Therefore no recommendation will be raised.

Assurance Review of Income - Remittances Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Physical Security	0	0	1	0
Total	0	0	1	0

No recommendations were raised in relation to receipting, banking, posting or reconciling of income.

SCOPE

This key financial system feeds into the Statement of Accounts and requires regular review to confirm the adequacy and effectiveness of controls.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' 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 Income undertaken in 2015/16 also concluded in a 'Substantial' assurance opinion, indicating that the system continues to be well controlled, hence the direction of travel remains unchanged.

POSITIVE FINDINGS

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

- Access to the payments system is restricted to relevant, authorised personnel and users only have access to functions necessary for their role. This minimises the risk of payments being misappropriated from unauthorised users.
- The Council has insurance cover for cash held in the safe between weekly collections for banking with all cash holdings within the cover limit. All cheques and cash are held in the finance safe with restricted access. This minimises the risk of financial loss to the Council.
- Bank statements are subject to daily review to ensure that all income received is correctly accounted for and the monthly bank reconciliation helps to confirm that the cash received into the bank account reconciles to the cash receipting system.

ISSUES TO BE ADDRESSED

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

Physical Security

- A post opening register is to be signed by all members of staff present during post opening, to reduce the risk of post being lost or misappropriated.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous audit of income in 2015/16 raised three needs attention recommendations, all of which have since been confirmed as implemented by management through our separate follow up process.

Assurance Review of the M3 Planning Application

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Access Controls	0	2	0	0
Support Arrangements & Change Controls	0	0	1	0
Total	0	2	1	0

No recommendations have been raised in respect of Data Input, Processing and Output, Interfaces, Management Trails and Backup & Recovery

SCOPE

This application has not been reviewed before and will look at data controls and management of the application.

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 two 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- It should also be noted that the assurance grade has also been derived from the weaknesses within the application itself, specifically concerning password controls, rather than the business processes in place at the Council when using the application to deliver the service.

POSITIVE FINDINGS

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

- There is adequate system administration cover in place provided by a part time staff member who is currently training another staff member as a job share.
- There is an adequate Starters, Changes and Leavers process in place to ensure that only appropriate members of staff have access to the system, ensuring that the data held within is secure.
- The application incorporates the ability to trap potentially erroneous data entry through the use of error messages and search functionality to provide consistent data entry options.
- The Council receives regular status reports from Northgate setting out the condition of the databases that support the application, thus providing opportunities to resolve issues that may be discovered in a timely manner.
- The Council has implemented onsite and offsite backup processes on a regular basis helping to ensure that the Council's priority systems and data can be recovered in a timely manner, following an incident.
- The Application was shown to be covered by adequate vendor support until January 2020, helping to ensure that the application is kept aligned to changing legislative, and other, requirements during that time.
- The application is supported by a local IT department and a paid-for Oracle database administration and general support service helping to ensure the continued availability of the application and that supplier upgrades are implemented in a timely manner.

ISSUES TO BE ADDRESSED

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

Access Controls

- Password controls within the application are very weak. The Council understands that the vendor (Northgate) does not have any plans to enhance these controls. Hence, there is a need to implement compensating controls such as periodic reminders to users of the Planning application to change their passwords manually to help mitigate the risk posed by the weak password controls and to help reduce the risk of unauthorised access.
- There is a need to create named accounts to conduct the system administration activities currently transacted using the "LAND" account which is being shared. This is to reduce the risk that unauthorised activity cannot be traced back to the relevant user.

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

Support Arrangements & Change Controls

- Testing documentation used as checklists needs to be retained for future reference to reduce the risk that any queries relating to the testing that may arise cannot be adequately dealt with.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

APPENDIX 3 – PERFORMANCE MEASURES

Area / Indicator	Target
<u>Audit Committee / Senior Management</u>	
1. Audit Committee Satisfaction – measured annually	Adequate
2. Chief Finance Officer Satisfaction – measured quarterly	Good
<u>Internal Audit Process</u>	
3. Each quarters audits completed to draft report within 10 working days of the end of the quarter	100%
4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter	100%
5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager)	100%
6. Compliance with Public Sector Internal Audit Standards	Full
7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	100%
<u>Clients</u>	
8. Average feedback score received from key clients (auditees)	Adequate
9. Percentage of recommendations accepted by management	90%
<u>Innovations and Capabilities</u>	
10. Percentage of qualified (including experienced) staff working on the contract each quarter	60%
11. Number of training hours per member of staff completed per quarter	1 day

FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

Portfolio Holder: Finance
Wards Affected: All

1 SUMMARY

- 1.1 This report seeks to inform Members as to the progress made in relation to management's implementation of agreed Internal Audit recommendations falling due by 30 November 2017.

2 KEY DECISION

- 2.1 This is not a key decision.

3 INTRODUCTION

- 3.1 This report forms part of the overall reporting requirements to assist the Council in discharging the responsibilities in relation to its Internal Audit Service.
- 3.2 The Public Sector Internal Audit Standards require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting at Broadland District Council is twice yearly.
- 3.3 To comply with the above this report includes the status of agreed actions.

4 THE ISSUES

- 4.1 The current position (and issues) in relation to the implementation of Internal Audit recommendations is shown in the report attached.

5 ALTERNATIVE COURSE OF ACTION

- 5.1 Not applicable to this report.

6 PROPOSED ACTION

- 6.1 For the Audit Committee to review the progress made by the Council in implementing agreed Internal Audit recommendations.

7 RESOURCE IMPLICATIONS

7.1 There are no resource implications arising from this report.

8 LEGAL IMPLICATIONS

8.1 There are no legal implications arising from this report.

9 RISK IMPLICATIONS

9.1 Failure to implement recommendations or improve internal controls may lead to the risks associated materialising.

10 EQUALITIES IMPLICATIONS

10.1 There are no equality implications arising from this report.

11 CONCLUSION

11.1 Excellent progress has been made in addressing prior financial year recommendations with only three now outstanding.

11.2 There are currently seven recommendations outstanding which were raised in this financial year, these are work in progress and should be implemented by the end of the financial year.

12 OPTIONS

12.1 The Audit Committee has the following options:

that Members note the position in relation to the completion of agreed Internal Audit recommendations.

Emma Hodds
Head of Internal Audit for Broadland District Council

Background Papers

None

For further information on this report call Emma Hodds on (01508) 533791 or e-mail ehodds@s-norfolk.gov.uk.

Eastern Internal Audit Services



BROADLAND DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April to 30 November 2017

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

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1. INTRODUCTION

- 1.1 This report is being 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 establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:-
- The status of agreed actions.

2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken to enable the Committee to easily identify old outstanding recommendations. The table also identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.3 The summary position according to recommendation priority is shown in the table below, with the previously reported position in the first table and the current position in the second table to enable comparison:

Status of Recommendations as at 31 March 2017					
	P1	P2	P3	Total	%
Complete	0	6	23	29	78%
Outstanding	0	5	3	8	22%

Status of Recommendations as at 30 November 2017					
	P1	P2	P3	Total	%
Complete	0	8	21	29	74%
Outstanding	0	5	5	10	26%

Key:

Priority 1 – Urgent: Fundamental control issue on which action to implement should be taken within 1 month.

Priority 2 – Important: Control issue on which action to implement should be taken within 3 months.

Priority 3 – Needs Attention: Control issue on which action to implement should be taken within 6 months.

- 2.4 In relation to the historic recommendations (i.e. those prior to the 2015/16 financial year), all of these have now been actioned by management and verified by internal audit to enable these to be closed.
- 2.5 In 2015/16 internal audit raised 48 recommendations, with 47 now being closed and one important recommendation now requiring completion. The management responses in relation to the outstanding recommendation can be seen at **Appendix 2** of the report.

Number raised	48	
Complete	47	98%
Outstanding	1	2%

- 2.6 In 2016/17 internal audit has raised 47 recommendations, 44 of which have been implemented, two of which are outstanding (both needs attention) and one is not yet due. The management responses in relation to the outstanding recommendations can be seen at **Appendix 3** of the report.

Number raised	47	
Complete	44	94%
Outstanding	2	4%
Not yet due	1	2%

- 2.7 To date in 2017/18 internal audit has raised 23 recommendations, 10 of which have already been implemented by management, seven of which are outstanding (four important and three needs attention), and the remaining six are not yet due. The management response in relation the outstanding recommendations can be seen at **Appendix 4** of the report.

Number raised to date	23	
Complete	10	44%
Outstanding	7	30%
Not yet due	6	26%

- 2.8 Good progress has been made by management in addressing prior financial year recommendations, with only three now outstanding, all of which should be completed by

January 2018. This is an excellent position to be in with recommendations that were made before the current financial year.

- 2.9 With regards to the recommendation raised within year, it is important to note that in number these have reduced, however there have been some missed deadlines. Reviewing the management comments at appendix four, does however indicate that these are work in progress and good reason for the current position has been provided. Again, these are all due to be implemented by the end of the financial year.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 1st April 2017 to 30th November 2017			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2011/12 Internal Audit Reviews															
BRD1216	Web Management	Adequate		1								0			
2014/15 Internal Audit Reviews															
BRD1516	Network Infrastructure	Adequate			1							0			
2015/16 Internal Audit Reviews															
BRD1601	Private Sector Leasing	Reasonable			1							0			
BRD1605	Elections	Substantial					1					1			
BRD1607	Remittances	Substantial			1							0			
2016/17 Internal Audit Reviews															
BRD1703	Waste Management	Reasonable			1							0			
BRD1704	Accounts Payable	Reasonable		1	4							0			
BRD1707	Housing Benefit & Council Tax Support	Substantial										0			1
BRD1708	Housing Strategy and Homelessness	Reasonable		2								0			
BRD1709	Performance Management & Risk Management	Substantial			1							0			
BRD1714	Exchange & Ancillary Services	Reasonable		1	4						2	2			
BRD1715	Flare Application	Reasonable		1								0			
2017/18 Internal Audit Reviews															
BRD1802	Broadland Growth	Reasonable		2	1					3		3			
BRD1803	DR & Carrowbreck Physical Security									1	1	2		1	1
BRD1804	Environmental Health	Substantial			3							0			
BRD1805	Social Media	Substantial								2		2			
BRD1807	Income	Substantial													1
BRD1808	Planning IT Application	Limited											2		1
BRD1812	Planning	Reasonable			4							0			
TOTALS			0	8	21	0	1	0	0	4	5	10	0	3	4

APPENDIX 2 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2015/16

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1605 Elections and Electoral Registration	Users be required to change their Idox passwords on a regular basis, ideally to complex passwords at least nine characters long in accordance with the Council's IT Security Policy.	2	Accept recommendation in principle with the caveat that the software system is not designed to require complex passwords. The matter will be progressed with Idox the software suppliers	Elections Manager	31/12/2015	31/01/2018	Outstanding	The issue around passwords was raised with IDOX and at the last user group meeting. IDOX are going to introduce the requirement for complex passwords in future developments of the system. This is set to be implemented by 31 January 2018.

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2016/17

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1714 Exchange & Ancillary Services	Recommendation 3 - The Council to review and update the Patch Management policy and procedure.	3	Agreed.	ICT & Facilities Manager	31/07/2017	31/12/2017	Outstanding	This document has been redrafted and is awaiting final sign off to be completed, by 31/12/17.
BRD1714 Exchange & Ancillary Services	Recommendation 6 - The Council to conduct a review of the "Information Security Incident Process" and update the document as appropriate. The updates to include the required steps to manage and incident arising from an event noted from a review of relevant event logs.	3	Agreed.	ICT & Facilities Manager	31/07/2017	31/01/2018	Outstanding	This document is under review but not yet fully redrafted. A revised date of 31/01/2018 is requested for completion.

APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1802 Broadland Growth	Recommendation 1: The company formally adopt key policies such as business continuity and disaster recovery, freedom of information, and data protection, which are aligned with the Council's or NPS' own policies.	2	Agreed.	Head of Democratic Services	01/11/2017	28/02/2018	Outstanding	The adoption of policies; business continuity, disaster recovery, FoI and Data Protection will be aligned to Broadland District Council's policies. This will be taken to the next Board meeting. A date for the meeting has not been set as it is project driven and the project manager is not in a position to report on progress on current developments. It is anticipated that a meeting will be called in the next three months. As such a revised deadline is given.
BRD1802 Broadland Growth	Recommendation 4: Project appraisals are reported to the Council for information.	2	Agreed.	Head of Democratic Services	01/11/2017	31/03/2018	Outstanding	Project appraisals will be reported to Council as and when they come forward. A revised date is given of 31/03/2018 to allow time for potential project appraisals.
BRD1802 Broadland Growth	Recommendation 5: Broadland Growth's business plan is presented to the Council for approval.	2	Agreed.	Head of Democratic Services	01/11/2017	31/03/2018	Outstanding	The business plan will be presented to the Council for information, not for approval, within two months of being approved by the Broadland Growth Board.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
BRD1803 Disaster Recovery	Recommendation 1. Council management to ensure that all relevant automated failover plans and the supporting manual procedure documents are all completed and finalised in a timely manner, with the Document Control sections documenting the review history appropriately.	2	Agreed.	ICT & Facilities Manager	30/11/2017	31/12/2017	Outstanding	All failover plans have been created, but the documentation is not yet complete.
BRD1803 Disaster Recovery	Recommendation 3. Council management to ensure that copies of all relevant DR documentation, once finalised, are issued to Business Continuity Management, hard copies are stored at Carrowbreck and electronic copies are available at locations not on the Council's network (for example, local copies on Council laptops).	3	Agreed.	ICT & Facilities Manager	30/11/2017	31/12/2017	Outstanding	All failover plans have been created, but the documentation is not yet complete.
BRD1805 Social Media	Recommendation 1. The Council to ensure that the work to draft and agree appropriate Brand guidelines and a media protocol is completed as soon as possible.	3	Agreed.	Communications and Engagement Manager	31/10/2017	31/12/2017	Outstanding	Revised date required and agreed with senior management.
BRD1805 Social Media	Recommendation 2. The Council to implement a process whereby all staff not part of the Marketing and Communications Team who are involved with managing a Council social media presence are required to sign off a formal Terms and Conditions of usage policy / protocol / code of practice that sets out the required processes and procedures for operating these accounts, including clauses for ensuring the protection of the Council's brand reputation.	3	Agreed.	Communications and Engagement Manager	31/10/2017	31/12/2017	Outstanding	Revised date required and agreed with senior management.

Certification of claims and returns annual report 2016/17

Broadland District Council

6 December 2017

Ernst & Young LLP



Building a better
working world

The Members of the Audit Committee
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6 December 2017

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Dear Members

Certification of claims and returns annual report 2016/17 Broadland District Council

We are pleased to report on our certification work. This report summarises the results of our work on Broadland District Council's 2016/17 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016/17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016/17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £20,995,243. We met the submission deadline. We issued a qualification letter; details of the qualification matters are included in section 1.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016/17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 10 January 2018 Governance and Audit Committee.

Yours faithfully

Mark Hodgson
Associate Partner
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£20,995,243
Amended/Not amended	Not Amended
Qualification letter	Yes
Fee – 2016/17	£14,495 (subject to PSAA approval)
Fee – 2015/16	£11,022

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in three areas, which represents a small increase in the level of errors from the previous year.

We have reported underpayments, uncertainties and the extrapolated value of other errors identified in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- testing of the initial non-HRA rent rebate sample identified one case with no impact on benefit awarded as a result of tax credits being input incorrectly. Extended testing was undertaken identifying 2 further errors where tax credits had been input incorrectly resulting in an underpayment of benefit for one case and no impact on benefit for the other case. No overpayments were identified.
- testing of the initial rent allowance sample identified one case where capital had been input incorrectly resulting in an underpayment of benefit. Extended '40+' testing was undertaken. No further underpayments or overpayments were identified.
- testing of the initial rent allowance sample identified one case where an incorrect earnings disregard has been applied resulting in an overpayment of benefit. Extended '40+' testing was undertaken and identified one further case where there was no impact on benefit. No further overpayments were identified.
- testing of the initial rent allowance sample identified one case where the Authority had misclassified an overpayment of benefit. Extended '40+' testing was undertaken and identified 3 further cases where the Authority has misclassified overpayments of benefit.
- testing of the initial non-HRA rent rebate sample identified one case where subsidy had been underclaimed as a result of the housing benefit system incorrectly splitting expenditure between cells. No additional testing was undertaken as this type of error will always result in an underclaim of subsidy; and

- testing of the initial rent allowance sample identified one case where expenditure was misclassified between cells, as a result of an incorrect date assigned when data is uploaded from the Authority's on-line claim form. No additional testing was undertaken as these cells attract the same amount of subsidy and there is no impact on benefit awarded.

2. 2016/17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016/17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016/17	2016/17	2015/16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	14,495	20,660	11,022

The indicative fee for 2016/17 is based on the actual fee for 2014/15 with a 25% reduction in scale fee.

For 2016/17 the level of error identified was similar to that identified in 2014/15 and increased from that identified in 2015/16. However, we are able to reduce the fee by £1,000 to reflect that the Council undertook the initial testing.

Our final proposed fee remains subject to approval by PSAA.

3. Looking forward

2017/18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017/18 is £11,022. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

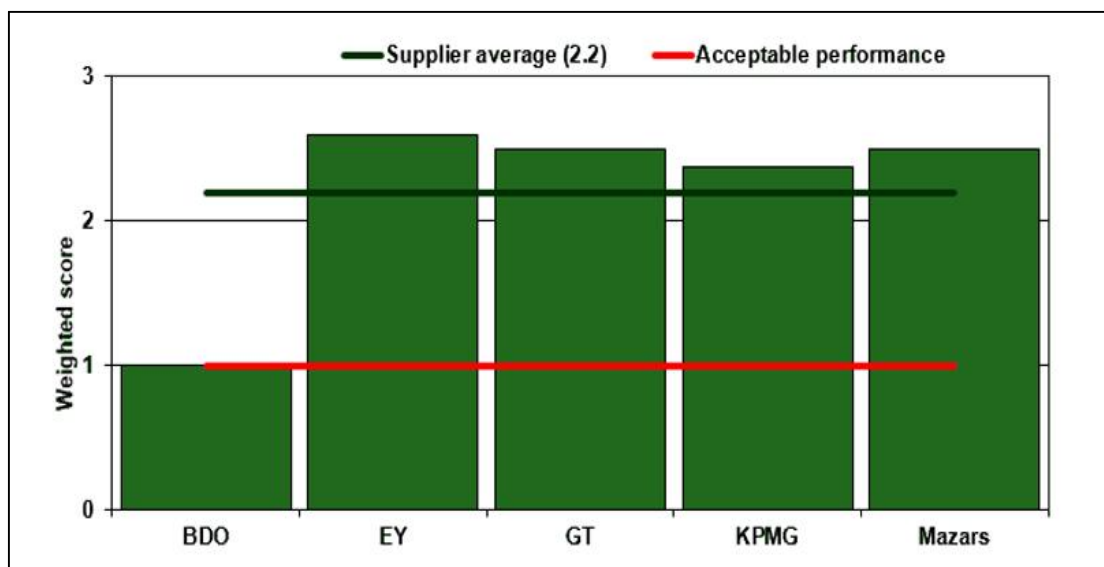
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance and Revenue Services before seeking any such variation.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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WORK PROGRAMME

15 March 2018	<ul style="list-style-type: none">• Annual Corporate Fraud Report• Internal Audit Plan of Work for 2018/19• Heads of Service to attend to discuss Service Risks• Agreement on presentation to Council on 17 April• Audit Plan 2017/18
28 June 2018*	
27 July 2018*	<ul style="list-style-type: none">• 2017/18 Audit Results Report
20 September 2018*	
10 January 2019*	
14 March 2019*	

*Provisional dates to be confirmed