

INTERNAL AUDIT ACTIVITY PROGRESS REPORT 2016/2017



(1) Introduction

All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that a relevant authority “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The Internal Audit Service is provided by Audit Risk Assurance under a Shared Service agreement between Stroud District Council, Gloucester City Council and Gloucestershire County Council and carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.

The guidance accompanying the Regulations recognises the Public Sector Internal Audit Standards (PSIAS) as representing “proper internal audit practices”. The standards define the way in which the Internal Audit Service should be established and undertakes its functions.

(2) Responsibilities

Management are responsible for establishing and maintaining appropriate risk management processes, control systems (financial and non financial) and governance arrangements.

Internal Audit plays a key role in providing independent assurance and advising the organisation that these arrangements are in place and operating effectively.

Internal Audit is not the only source of assurance for the Council. There are a range of external audit and inspection agencies as well as management processes which also provide assurance and these are set out in the Council’s Code of Corporate Governance and its Annual Governance Statement.

(3) Purpose of this Report

One of the key requirements of the standards is that the Chief Internal Auditor should provide progress reports on internal audit activity to those charged with governance. This report summarises:

- The progress against the 2016/2017 Internal Audit Programme, including the assurance opinions on the effectiveness of risk management and control processes;
- The outcomes of the Internal Audit activity during the period October to December 2016; and
- Special investigations/counter fraud activity.

(4) Progress against the 2016/2017 Internal Audit Programme, including the assurance opinions on risk and control

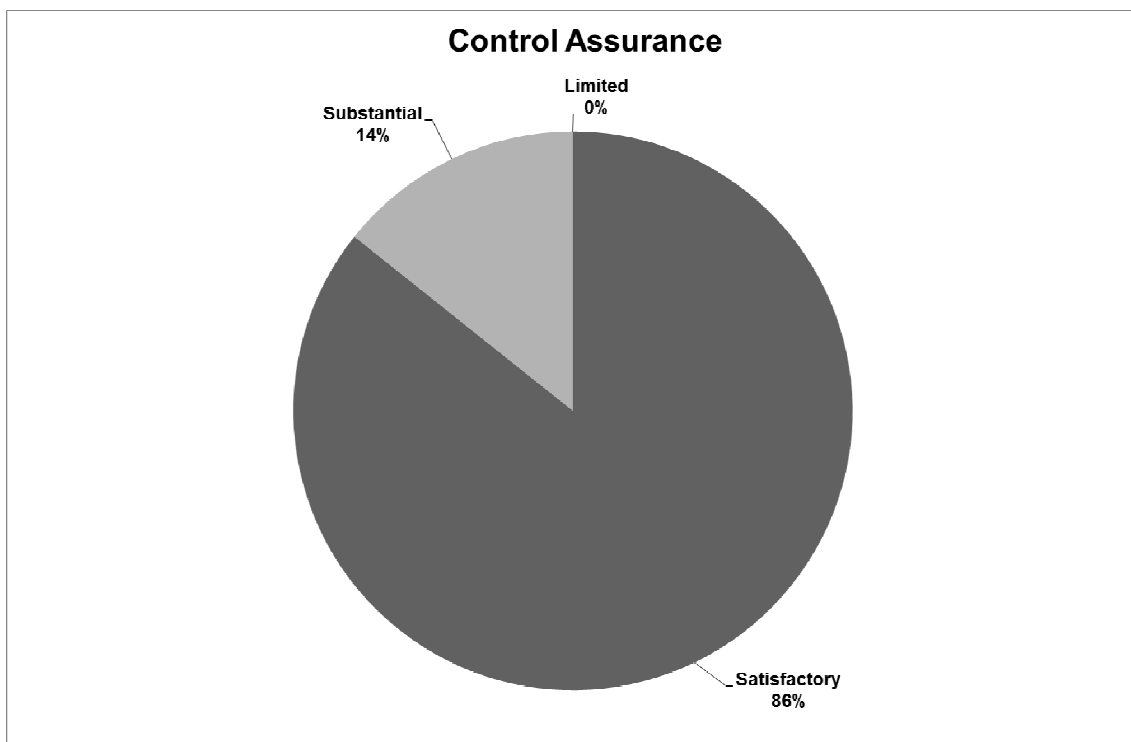
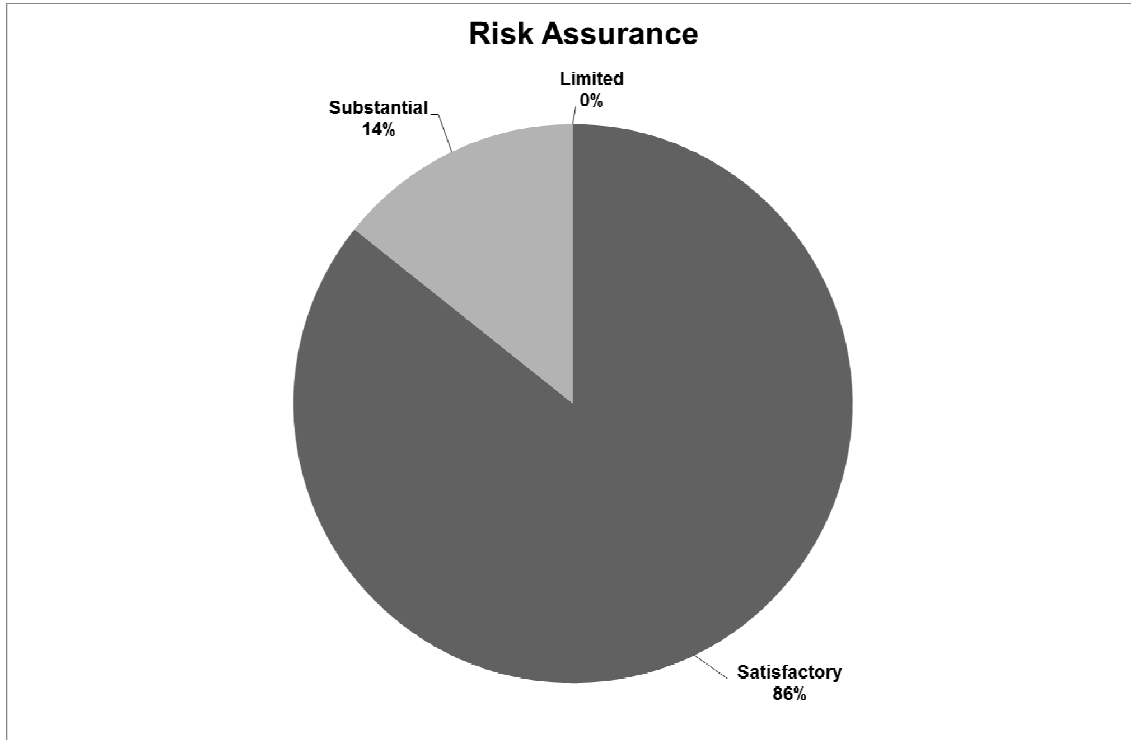
The schedule provided at **Appendix 1** provides the summary of 2016/17 audits which have not previously been reported to the Audit and Standards Committee.

The schedule provided at **Appendix 2** contains a list of all of the 2016/17 Internal Audit Plan activity undertaken during the financial year to date, which includes, where relevant, the assurance opinions on the effectiveness of risk management arrangements and control processes in place to manage those risks and the dates where a summary of the activities outcomes has been presented to the Audit and Standards Committee. Explanations of the meaning of these opinions are shown below.

Assurance Levels	Risk Identification Maturity	Control Environment
Substantial	<p>Risk Managed Service area fully aware of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment client/customer/partners, and staff. All key risks are accurately reported and monitored in line with the Council's Risk Management Policy.</p>	<ul style="list-style-type: none"> • System Adequacy – Robust framework of controls ensures that there is a high likelihood of objectives being achieved • Control Application – Controls are applied continuously or with minor lapses
Satisfactory	<p>Risk Aware Service area has an awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners, and staff, however some key risks are not being accurately reported and monitored in line with the Council's Risk Management Policy.</p>	<ul style="list-style-type: none"> • System Adequacy – Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger • Control Application – Controls are applied but with some lapses
Limited	<p>Risk Naïve Due to an absence of accurate and regular reporting and monitoring of the key risks in line with the Council's Risk Management Policy, the service area has not demonstrated a satisfactory awareness of the risks relating to the area under review and the impact that these may have on service delivery, other service areas, finance, reputation, legal, the environment, client/customer/partners and staff.</p>	<ul style="list-style-type: none"> • System Adequacy – Risk of objectives not being achieved due to the absence of key internal controls • Control Application – Significant breakdown in the application of control

(4a) Summary of Internal Audit Assurance Opinions on Risk and Control

The pie charts below show the summary of the risk and control assurance opinions provided within each category of opinion i.e. substantial, satisfactory and limited in relation to the audit activity undertaken during the period April 2016 to December 2016.



(4b) Limited Control Assurance Opinions

Where audit activity record that a limited assurance opinion on control has been provided, the Audit and Standards Committee may request Senior Management attendance to the next meeting of the Committee to provide an update as to their actions taken to address the risks and associated recommendations identified by Internal Audit.

(4c) Audit Activity where a Limited Assurance Opinion has been provided on Control

During the period October 2016 to December 2016, it is pleasing to report that no limited assurance opinions on control have been provided on completed audits from the 2016/17 Internal Audit Plan.

(4d) Satisfactory Control Assurance Opinions

Where audit activities record that a satisfactory assurance opinion on control has been provided, where recommendations have been made to reflect some improvements in control, the Committee can take assurance that improvement actions have been agreed with management to address these.

(4e) Internal Audit Recommendations

During the period October 2016 to December 2016 Internal Audit made, in total, **32** recommendations to improve the control environment, **9** of these being high priority recommendations (**100%** of these being accepted by management) and **23** being medium priority recommendations (**100%** accepted by management).

The Committee can take assurance that all high priority recommendations will remain under review by Internal Audit, by obtaining regular management updates, until the required action has been fully completed.

(4f) Risk Assurance Opinions

During the period October 2016 to December 2016, it is pleasing to report that no limited assurance opinions on risk have been provided on completed audits from the 2016/17 Internal Audit Plan.

In the cases where a limited assurance opinion has been given, the Shared Service Senior Risk Management Advisor is provided with the Internal Audit reports, to enable the prioritisation of risk management support.

Completed Internal Audit Activity during the period October 2016 to December 2016

Summary of Satisfactory Assurance Opinions on Control

Service Area: Development Services

Audit Activity: Gloucestershire Building Control Partnership (GBCP)

Background

Stroud District Council (SDC) and Gloucester City Council (GCityC) have collaborated to provide a shared local government building control service known as the GBCP. The Partnership was established on 1st July 2015 through a Section 101 Agreement, with staff becoming employed by Stroud District Council acting as the host Authority. The Building Control function comprises of two elements:

- Plan vetting and inspection of applications, which is a statutory Council function in direct competition with the private sector; and
- Enforcement of Building Control legislation and regulations.

The total value of fees received for building control applications since the start of the Partnership in July 2015 to 31st March 2016 was approximately £350k.

Scope

The focus of this review was to determine whether:

- There are effective governance, risk management and monitoring arrangements in place to confirm that the Partnership is being managed effectively;
- The effectiveness of the service is regularly monitored and reviewed to confirm it achieves the main aims and objectives of the Partnership;
- The fees are correctly approved and comply with regulations;
- The costs of the service are correctly determined/calculated and apportioned to the partners;
- Income is correctly accounted for within the case management and financial general ledger systems; and
- The IT systems and data are integrated and appropriately accessible by officers and customers.

Risk Assurance - Satisfactory**Control Assurance - Satisfactory****Key findings**

- A post implementation review had not been performed to evaluate whether the main aims and objectives for the Partnership have been achieved.
- There has been a delay in the implementation of some of the strategic elements (specified in the Section 101 Agreement and Business Case) of managing the shared service as significant resources have been required to maintain operations during the Partnership implementation phase.
- Prior to the formation of the GBCP, SDC generated surpluses and GCityC deficits on their respective 'trading' accounts over a five year period. Both Councils agreed to take a pragmatic approach to not take forward these balances into the new shared service arrangements.
- In 2015/16, the Partnership achieved a surplus on its 'trading' account of approximately £43k as a result of not filling a staff vacancy and pooled the surplus into a ring-fenced reserve. The 2016-17 budget has been set to make a deficit financial position of £1.5k (although it is possible that other known non-budgeted costs will increase this deficit position) which will be covered by reserves.
- The Council has not published (as required under the Building Regulations 2010), a financial statement at the end of the financial year setting out the costs, income and any surplus or deficit position.
- In May 2016, management assessed the risk of loss of service continuity and functionality from the migration of the GCityC Building Control case management data to SDC systems to be low and as a result formalisation of appropriate controls was not performed. At the point of audit, there were no reported issues following migration.
- Discussions about service risks have taken place at Board meetings. However, a joint Risk Register for the Partnership is yet to be created (as required by the Section 101 Agreement) for presentation and regular discussion at the Partnership Board meetings.

Conclusion

There is an appropriate control framework in place for the Partnership, which is defined within the Section 101 Agreement.

It is however acknowledged by management that there are still a number of areas that need to be resolved in order for the Partnership to ensure that they fully meet the Agreement requirements and expectations, but that these will need to be balanced against the cost of completion. It is evident that the two Council's Building Control functions and services have been successfully merged and further system enhancements are being explored to improve the service offering.

Internal Audit has made five medium priority recommendations to further strengthen the GBCP internal control environment. In particular:

- To continue to progress the implementation of the requirements/expectations captured within the Section 101 Agreement and other supporting documents (Business Case and Partnership Board minutes) and regularly report progress to the Partnership Board.
- Management to periodically review the Building Control expenditure apportionment to confirm that the 'trading' account associated chargeable costs, particularly relating to officer time and support charges are correctly and accurately determined and accounted for.
- To publish a financial statement for the GBCP 2015-16 'trading' account as soon as possible.
- The Building Control Manager (SDC) to determine the standard/expectation for the GBCP fee reconciliation to include the following:
 - a) Frequency of the reconciliation;
 - b) Expected timeframe for completion; and
 - c) Who will act as the monitoring control to review the reconciliation for correct and prompt completion, clearance of differences and approval.
- To determine a data owner for the GBCP systems and to ensure that any future changes to the systems have been properly tested, documented and results of the tests are satisfactory before formally approving the update to the 'live' environment.

Management Actions

Management have responded positively to the audit findings and have accepted all audit recommendations raised.

Service Area: Finance and Business Services**Audit Activity: Payroll – new system****Background**

For the past seven years, the payroll function has been performed by an external payroll provider on behalf of the Council. This function has now been brought back in-house with effect from 1st April 2016.

There are approximately 600 employees on the payroll and the 2015/16 annual payroll costs were circa £12.4m.

Finance performed 'parallel running' and testing of the payroll system to ensure that the payroll could be effectively and accurately produced at the handover stage. In addition, it has been necessary to establish the division of payroll duties between Human Resources (HR) and Finance.

Scope

The objectives of the audit were to:

- document the systems and procedures for starters, alterations, leavers and the monthly payroll process;
- review the effectiveness of the system for processing new starters;
- review the effectiveness of the system for processing any alterations that need to be made for existing staff;
- review the effectiveness of the system for processing leavers and in particular, the system for dealing with any overpayments that might arise;
- review the effectiveness of the system for processing the payroll on a monthly basis;
- ensure that payroll costs are being reviewed by the Budget Holders; and
- review the implementation of previous payroll recommendations as they related to the scope of this audit.

Risk Assurance - Satisfactory

Control Assurance - Satisfactory

Key findings

Assurance can be provided that the processes that have been designed since bringing the payroll function back in-house are sufficiently robust by including the necessary key controls and the allocation of roles and responsibilities within HR and Finance and between them, will enable resilience and business continuity.

Assurance can also be provided that the relevant staff involved in the processes, have appropriate levels of access to ResourceLink (the payroll system).

The systems for processing starters, alterations, leavers and the monthly payroll are well designed and are understood by all the staff who have been assigned the relevant roles and responsibilities. Sufficient key controls were confirmed as present within these systems and operating in practice at the point of audit. Adequate separation of duties was also confirmed.

Audit sample testing of starters, alterations, leavers and the monthly payroll process confirmed that the documented systems are operating in practice at the point of audit. For starters and alterations, the expectation is that the Budget Holders should authorise the costs that are charged to their cost codes. Although the Budget Holders did authorise the majority of the forms in the relevant audit sample, this was not a specified requirement on the forms and consideration should be given to amending the forms accordingly. Two recommendations have been raised regards budget holder authorisation and a further recommendation to support update of the pay advances and overpayment recoveries document to reflect the in-house procedures.

Finance provides the Budget Holders with regular reports from the accounting system that enables them to review and feedback on all the payroll costs that are charged to their budgets.

Previous payroll recommendations that related to the scope of this audit were followed up and all of them have been implemented as required.

Conclusion

Assurance can be provided that the processes that have been designed since bringing the payroll function back in-house are sufficiently robust by including the necessary key controls and the allocation of roles and responsibilities within the Council, to enable resilience and business continuity. Three recommendations have been raised within the internal audit report to support further control improvement within the payroll process.

Management Actions

Management have responded positively to the recommendations made.

Service Area: Finance and Business Services**Audit Activity: General Ledger****Background**

The Agresso (financial accounting system) General Ledger contains all the accounts for recording transactions relating to the Council's assets, liabilities, reserves, revenue and expenses and is supported by feeder subsidiary systems (such as Northgate for Housing and Payroll, Civica Open Revenues for Council Tax, Business Rates and Housing Benefits, the Fixed Asset register and Treasury Management records). The General Ledger is a key financial reporting and financial transaction system that supports the annual financial statements. It is of vital importance that there is a sound General Ledger control environment and that the agreed systems and processes are operating effectively.

Audit Scope

The agreed audit scope was to provide the Council with assurance over the adequacy and effectiveness of the General Ledger control environment for ensuring complete and accurate accounting of financial transactions. The scope was then split into 10 individual objectives, which included, but was not exclusive to, review of journal controls, suspense account controls and the mapping of new general ledger codes.

Risk Assurance – Satisfactory**Control Assurance – Satisfactory****Key findings**

The 10 control objectives were assessed and tested by Internal Audit. The internal audit results confirmed that the existing control environment for the key control areas was soundly managed at the point of audit. One medium priority recommendation was raised relevant to the bank receipt suspense account and its monitoring to ensure that receipts are subsequently cleared to their correct account codes.

Conclusions

Audit review of the General Ledger control environment as at November 2016, found appropriate controls to be in place at the point of audit.

Management Actions

Management have responded positively to the recommendation made.

Service Area: Tenant and Corporate Services - Human Resources**Audit Activity: Code of Conduct for Employees and Social Media Policy****Background****Code of Conduct**

The public is entitled to expect the highest standards of conduct from all employees who work for local government. The 'Code of Conduct for Employees' forms part of the Council's Constitution and Employee Handbook. The desired standards of behaviour are documented within employees' contracts of employment and any breaches of the code are dealt with under the Council's disciplinary procedures.

If the code is followed it should provide protection for employees and safeguard them against allegations of conflicts of interest or corruption in the minds of the public.

Social Media Policy

The 'Personal use of Social Media' policy details the use and expectations of personal social media by employees, temporary and casual staff, trainees and work experience trainees, individual contractors and agency staff working on behalf of the Council.

Scope

This review sought to provide:

- Assurance in the adequacy and operating effectiveness of the governance, management and monitoring arrangements of the 'Code of Conduct for Employees' in relation to the following elements:
 - a) Sign-up and employees awareness of the requirements of the code;
 - b) Registration of personal interests, gifts and hospitality; and
 - c) Approval for undertaking additional work.
- Confidence that awareness and adherence to the 'Personal use of Social Media' policy meets Stroud District Council's expectations.

Risk Assurance - Satisfactory**Control Assurance – Satisfactory**

Key findings

Code of Conduct for Employees

The content of the Code of Conduct should be reviewed and refreshed to eliminate ambiguity; consideration to also be given to the inclusion of the following:

- Guidance for employees on:
 - d) Notifying their managers if they are facing criminal charges;
 - e) What to do if they are bequeathed a legacy by a service user/member of the community; and
 - f) Interviews with the media such as newspapers, television, internet and radio either formally or on a personal basis.

Staff awareness and sign-up to the Code of Conduct

Human Resources provide two opportunities for employees to read and understand the 'Code of Conduct for Employees' and the 'Personal Use of Social Media' policies during the recruitment process. Internal Audit surveyed 29 employees (5%) to gauge their knowledge of the 'Code of Conduct for Employees'. From the 16 employees who responded:

- Fourteen (87%) employees were unclear in their understanding of the entire 'Code of Conduct for Employees', however their answers did not suggest any potential unethical behaviour and indicates they would seek further guidance. However, all 16 personnel files evidence that employees had received and understood a copy of the Employee Handbook; and
- Four (25%) were aware that they must register offers of gifts and hospitality; however the remaining employees stated that they would notify their manager.

Monitoring of ethical behaviour

There is a need for additional guidance to be developed for managers to help them support and manage more effectively their employed staff and agency workers ethical behaviour (in respect of the Social Media Policy).

Registration of Personal Interests, Gifts and Hospitality

There is a process in place for the registration of declarations of personal interests, gifts and hospitality for employees. However these could be further enhanced with the introduction of an electronic register which would aid monitoring.

Since 2012 the actual number of declarations of gifts and hospitality has consistently fallen, from 50 in 2012 to 11 in 2015. It is not clear whether this is simply due to employees not being offered any gifts or hospitality; or a lack of awareness of the need to register.

Approval for undertaking additional work

Seven employees with LinkedIn accounts were reviewed, two individuals were found to be undertaking additional employment which they had verbally declared to their line managers, in accordance with the 'Code of Conduct for Employees'.

Personal Use of Social Media Policy

The 'Personal Use of Social Media' is not currently covered during the 'Terms and Conditions', going forward this will need to be addressed.

The public views of Facebook accounts for 11 individuals, who had recorded that they were employed by Stroud District Council, were reviewed. It is evident, as at the time of the review that all employees had acted appropriately in respect of their public Facebook views, in accordance with the 'Personal Use of Social Media' policy.

Agency and Contract staff

The 'Agency and Contractor - Induction checklist' is an opportunity for managers to inform agency staff about the Council's expectation with regards their conduct and behaviour. Three managers with agency staff were contacted to discuss and review their use of the checklist. One manager was aware of the checklist but it had been incorrectly completed, the second manager had correctly completed the checklist but it was not dated, and the third manager was unaware of the checklist.

Risk Management Arrangements

The risk of non-compliance by employees with the Employee Handbook and in particular the 'Code of Conduct for Employees' does not appear on Excelsis, the corporate risk register. The development of a risk register would help to ensure that all inherent risks are captured and that effective control measures are put in place to continually manage and monitor residual risks to an acceptable level i.e. within the agreed risk appetite of the service area/Council.

Conclusions

There is a control framework in place for the governance, management and monitoring arrangements of the 'Code of Conduct for Employees' and the 'Personal Use of Social Media'.

However, based on the findings, Internal Audit has made one high and two medium priority recommendations to further strengthen the control environment.

Management Actions

Management responded positively to the recommendations made.

Service Area: Tenant and Corporate Services**Audit Activity: Complaints Process - Tenant Services****Background**

Stroud District Council Tenant Services unit manages 5,187 Council rented dwellings, which includes 788 sheltered homes. Tenants who wish to make a complaint can either contact Tenant Services directly or go through the corporate complaints procedure.

In April 2016, the complaints procedures within Tenant Services changed with the aim to provide better clarity, transparency, reporting and accountability over complaints received.

Scope

The review sought to provide:

- Assurance that there are effective governance arrangements in place for managing the complaints and complaints review process within Tenant Services;
- Confirmation of awareness of an effective complaints procedure and service standards within Tenant Services;
- Verification that there is a quality record of all complaints documented including the outcome of the complaint and lessons learned;
- Surety of adherence to the approved corporate complaints policy; and
- Validation that regular management information is produced and reported to senior management and that lessons are learned to enhance future performance.

Risk Assurance - Satisfactory

Control Assurance – Satisfactory

Key findings

There is a sound governance framework in place for the management of complaints in Tenant Services. The Head of Housing Contracts has overall responsibility and ensures that complaints are managed and reviewed.

The Tenant Services Senior Business Support Officer provides a day-to-day supporting role, enters complaints onto the Tenant Services Complaint Monitoring Log, allocates and monitors complaints, and liaises with the Corporate Complaints Officer. The Complaint Monitoring Log 2016 (MS Excel) is owned and managed by the Senior Business Support Officer. The complaints on this system were found to match the complaints on the corporate complaints system (MS Access).

Internal Audit analysed the 40 Tenant Services complaints between 1st April 2016 and 13th September 2016, on the Complaint Monitoring Log 2016 with the following outcomes:

- 39 out of 40 (98%) met the service standard for complaint acknowledgement; and
- 31 out of 40 (78%) met the service standard for response time.

Internal Audit and the Senior Business Support Officer reviewed all correspondence for the 40 complaints. It was found that prior to June 2016, seven response letters did not use the recommended wording and format. However, since June 2016 all correspondence has met the required standards.

There is an excellent and structured system in place to document complaints, evidence and correspondence.

Complaints are deemed closed by Tenant Services when an action and response has been agreed, not necessarily when the complaint has been resolved.

Internal Audit conducted a survey of Tenant Services staff to assess their understanding of the complaints procedure; the response analysis found that 48% of Tenant Services staff either gave inaccurate or partially accurate answers to the survey questions.

There is thorough Management Information available to all Tenant Services staff which is reviewed by managers and senior managers. Internal Audit reviewed the learning outcome information documented by managers for the 21 complaints between June 2016 and 13th September 2016 and found that the information entered is sparse and uninformative.

Conclusions

We conclude that there is effective governance and management of complaints in Tenant Services, with adherence to the corporate complaints services standards exceeding requirements.

Internal Audit has made three medium priority recommendations in relation to:

- Enhancing the complaints procedure;
- Improving staff awareness; and
- Empowering process improvements.

Management Actions

Management have responded positively to the three medium recommendations made.

Service Area: Tenant and Corporate Services**Audit Activity: Health and Safety – Tenant Services****Background**

Stroud District Council retains and manages its own housing stock of 5,187 Council rented dwellings, which includes 788 sheltered homes.

The Council is responsible for compliance with Health and Safety legislation in respect of Asbestos, Legionella and Carbon Monoxide and other Health and Safety areas. Under Corporate Manslaughter legislation the Council could be held liable should an incident occur as a result of an omission in managing the Council's property portfolio.

Scope

This review sought to provide assurance that the governance, management and monitoring arrangements of Health and Safety by Tenant Services is adequate and operating effectively, focussing on: Legionella, Asbestos, Gas Safety (to include Carbon Monoxide and Pressure Systems), Working at Height, Fire Safety and Radon.

Risk Assurance - Satisfactory**Control Assurance – Satisfactory**

Key findings

Control framework: There is a good framework in place to empower governance, management and monitoring of Health and Safety within Tenant Services.

External Contractors: Prior to the letting of the new contracts for repairs and installation of new kitchens and bathrooms in April 2016, contractors were made aware of Stroud District Council's Health and Safety policies, procedures, paperwork and expectations as part of the 'Mobilisation Group' meetings.

Corporate procedures: are in place for Legionella, Asbestos, Gas Safety, Working at Height and Fire Safety however there is no corporate procedure for Radon. In addition, development of written guidance for Tenant Services staff to follow when enquiries are made in respect of Legionella, Fire Safety and Radon would further enhance the current procedures.

Training: Tenant Services staff often require specialist training such as Legionella and Asbestos awareness, however the current administrative system for monitoring training certificates and refresher requirements needs to be strengthened. In addition, consideration should be given to extending Health and Safety training (to include Lone Working guidance) to agency and fixed term workers.

Legionella: Thorough risk assessments are being undertaken however actions resulting from the risk assessments need to be acted upon by Tenant Services in a timelier manner. In addition, the computer system for monitoring Legionella risk assessments should be populated with the next risk assessment date.

Asbestos: There are good internal controls in place to manage Asbestos however it would be prudent to schedule periodic inspections of the Asbestos Incident Kit Bags.

Gas Safety: The documenting of carbon monoxide alarm installations and testing within the computer system needs to be improved.

Lone Working: The corporate procedure is not being fully adhered to in respect of the issue of personal alarms; first aid kits and the requirement for lone workers to 'share' their Outlook calendars.

Working at Height: All Sheltered Housing Scheme ladders have recently been risk assessed and contract officers' ladders will be assessed by the end of November.

Fire Safety: Risk assessments and monthly Fire Safety checks are managed well by the Mechanical and Electrical Officer (Electrical), however the control environment could be further strengthened by documenting:

- That visiting contractors are made aware of Fire Safety procedures; and

- The testing of smoke alarms including their location.

Management may also wish to give further consideration to the scheduling of testing smoke and carbon monoxide alarms prior to new tenancies as the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 infer that these alarms should be tested on the day of a new tenancy.

Radon: There is no evidence to support that 186 properties that have been identified with a 3% or greater risk of Radon have been tested and not all properties that received Radon reducing measures have received an expected review or follow-up contact. In addition, first floor and higher properties have not been tested, where the lower floor properties were deemed high risk.

The scheduling of re-testing for Radon in 2017/18 and subsequent years should be recorded within the computer system.

Conclusions

There is a framework in place to empower governance, management and monitoring of Health and Safety within Tenant Services and the appointment of a Principal Health and Safety Officer to oversee this area should also aid the management of the associated inherent risks.

The majority of Health and Safety areas reviewed within the scope of this audit have robust controls in place and are operating effectively however the areas of Legionella and Radon require some improvements. In light of the above, Internal Audit has made three medium priority and one high priority recommendation.

Management Actions

Management have responded positively to the recommendations made.

Summary of Consulting Activity and/or Support Provided where no Opinions Are Provided

Service Area: Finance and Business Services

Audit Activity: Consultancy - IT Disaster Recovery (ITDR)

Background

As part of the 2016/17 internal audit plan approved by the Audit and Standards Committee, a consultancy review of ITDR was undertaken.

Many of the Council's services rely on fully functioning and operational ICT. The impact of loss of ICT could be severe if services and applications are not able to be recovered.

Discussion with officers confirmed that the Council's ability to recover from a major disaster has been raised with Corporate Team and included on the Council's Excelsis risk register within 2016/17. Due to this, the review did not take the form of an assurance review about the prevailing control environment as this would not provide new information to management. It was therefore agreed with officers that a consultancy approach would be undertaken and that the review assess the current situation, ascertain any remediation work already undertaken, and then contribute to an action plan for bringing the ITDR function to an acceptable level. The report outcome therefore did not offer an assurance opinion on the risk management and controls framework.

Audit Scope

The agreed review scope assessed the Council's ITDR arrangements in place at the point of review, to provide a timely analysis of the prevailing circumstances and actions required to support the provision of a sound and robust ITDR framework. The review assessed the following elements:

- Review any current plans or processes in place and comment upon how ICT would cope / respond in the event of a civil contingency emergency, and what the likely outcomes would be;
- Identify what measures are currently being taken to protect the Council's applications, systems and data; and
- Assess and comment upon the current restoration capabilities and likely timescales for recovery and where possible, identify options to make recovery easier going forward (e.g. cloud solutions / reciprocal arrangements).

Risk Assurance – Not Applicable

Control Assurance – Not Applicable

Key findings

The review identified some areas of good practice applied by the Council, including:

- Backups of key systems and data are being taken;

- In the absence of a documented ITDR plan, the ICT Delivery Manager has introduced an informal (office whiteboard) schematic to indicate points of failure, continuing weaknesses and any changes, either temporary or permanent, which add resilience or attempt to address or mitigate the risks;
- Upgrades to some areas of infrastructure and introduction of some new devices to help with DR capability; and
- Third party recovery contract to provide some capacity for a period of time.

The review also identified a number of areas where an improvement in ITDR processes and procedures should be considered and actioned to avoid exposure to a significant failure:

- Updating all Business Continuity (BC) plans and developing a formal ITDR plan which is derived from BC plans;
- Ensuring that the recovery priorities are understood by all parties and are soundly based on actual capabilities;
- Introduction of a full secondary (failover) and remote DR site;
- Better written procedures and also documented configurations for all key devices;
- A more co-ordinated approach to ICT development which avoids disparate provider problems and incompatibilities;
- Acknowledgement that in a real disaster, staff need to know what they will do, how they will work and where from;
- Acknowledgement that the ICT infrastructure is at end of life and future investment decisions need to be addressed, particularly if there is an expectation that ICT will be a key deliverer of future efficiency savings across the Council's services;
- Better quality manual procedures and recognition that there will (at least for a period of time) be a need for these to be immediately available and possibly sustainable for a period of time in a number of areas – e.g. payment of staff, suppliers, benefits; income collection – also where and how key alternative payment facilities such as credit cards, cheque books etc. will be located and managed; and
- An approach to maintaining the customer services function without access to systems and telephony.

13 recommendations were raised within the report for management's consideration and implementation.

Conclusions

ITDR within the Council currently falls below the expected standards, including those set out for ITDR and Resilience by the Business Continuity Institute, the relevant standard for business continuity management (BCM) by the International Standards organisation (ISO 27031), and also the guidelines set out by the Institute of Internal Auditors' and the ISACA1 in their ICT audit standards.

This exposes the Council to a significant risk of the inability to properly recover if a serious incident /disaster should befall the Council. The incident could be a physical one (fire/flood etc.), or a cyber-attack; in any event the recovery is dependent on the strength and resilience of all the component parts of the infrastructure from the file servers, storage devices, communications lines and capacity, failover arrangements and backup systems. In a number of these areas, the Council's present arrangements are not adequate and could push recovery timescales into weeks rather than hours or days.

Management Actions

Management have positively accepted the report findings, confirming that the ITDR report outcome was a fair representation based on the Council's current position. The lead officer is tasked to liaise with Corporate Team to agree a way forward on the area within 2016/17.

Summary of Special Investigations/Counter Fraud Activities

Current Status

During April – December 2016 there has been one potential irregularity referral to Internal Audit relating to a tenancy issue. Internal Audit is currently working with relevant officers within the Council and the investigation outcome will be provided to the Audit and Standards Committee once concluded.

Fraud Risk Assessment / Risk Register

A fraud risk register has been produced, the outcome of which will inform future Internal Audit activity.

National Fraud Initiative (NFI)

Internal Audit continues to support the NFI which is a biennial data matching exercise administered by the Cabinet Office. The data collections were collected throughout October 2016 and reports will start to be received from the middle to the end of January 2017. Examples of data sets include housing, insurance, payroll, creditors, council tax, electoral register and licences for market trader/operator, taxi drivers and personal licences to supply alcohol. Not all matches are investigated but where possible all recommended matches are reviewed by either Internal Audit or the appropriate service area.

In addition, there is an annual data matching exercise undertaken relating to matching the electoral register data to the single person discount data held within the Council. Once all relevant data has been uploaded onto the NFI portal, a data match report is instantly produced and available for analysis.

The outcomes of the review will be provided to the Audit and Standards Committee.

The Committee can also take assurance that all special investigations/counter fraud activities are reported to the Chief Executive, Monitoring Officer and Chief Financial Officer.

Anti Fraud and Corruption Policy Statement and Strategy

Effective governance requires the Council to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour. To enable this, the Fighting Fraud and Corruption Locally 2016–2019 Strategy has been developed by local authorities and counter fraud experts and supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre. It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.

The Chief Internal Auditor has undertaken a self-assessment against the new guidance to measure the Council's counter fraud and corruption culture and response and propose enhancements as required. As such, a revised Anti Fraud and Corruption Policy Statement and Strategy, Anti Bribery Policy and Anti Money Laundering Policy 2017 -2019 has been developed and will be presented to the Audit and Standards Committee on 11th April 2017.

Progress Report including Assurance Opinions

Department	Activity Name	Priority	Activity Status	Risk Opinion	Control Opinion	Reported to Audit and Standards	Comments
Corporate	Document Retention Policy (Joint review with Legal Services)	High	Deferred				Carried forward to 2017/18 plan
Corporate	Procurement	High	Consultancy				
Corporate	Delivery of Savings Target	Medium	Planned				
Corporate/Finance and	IT Disaster Recovery and Business Continuity	High	Final Report Issued	Not Applicable	Not Applicable	07/02/2017	Consultancy - no assurance levels
Corporate/Finance and	Cyber Security	High	Draft Report Issued				
Development Services	Building Control Shared Service	Medium	Final Report Issued	Satisfactory	Satisfactory	07/02/2017	
Customer Services	Council Tax Opening Debit 2016/17	High	Final Report Issued	Not Applicable	Not Applicable	22/09/2016	
Customer Services	National Non Domestic Rates (NNDR) 2016 - 17 Opening Debit	High	Final Report Issued	Not Applicable	Not Applicable	22/09/2016	
Customer Services	Benefits Upating 2017-18	High	Planned				
Customer Services	Multi Services Contract	High	Planned				
Customer Services	Off-Street Car Park Income	High	Audit in Progress				
Customer Services	Dursley Pool - Direct Debits	Medium	Deferred				Carried forward to 2017/18 plan (medium)
Customer Services	Green Waste and Bulky Waste Charges	Medium	Draft Report Issued				
Customer Services	Benefits Part 2	High	Planned				
Customer Services	Council Tax - Part 2	High	Audit in Progress				
Customer Services	National Non Domestic Rates (NNDR) - Part 2	High	Audit in Progress				
Finance & Business Services	Payroll - New System	High	Final Report Issued	Satisfactory	Satisfactory	07/02/2017	
Finance & Business Services	Budget Monitoring	Medium	Audit in Progress				
Finance & Business Services	Capital Accounting (Property, Plant and Equipment)	High	Draft Report Issued				KPMG Joint Working Protocol
Finance & Business Services	Cash and Bank	High	Planned				KPMG Joint Working Protocol
Finance & Business Services	General Non Pay Expenditure (Creditors)	High	Audit in Progress				KPMG Joint Working Protocol
Finance & Business Services	Network Access Controls	High	Audit in Progress				KPMG Joint Working Protocol
Finance & Business Services	General Ledger	High	Final Report Issued	Satisfactory	Satisfactory	07/02/2017	KPMG Joint Working Protocol
Finance & Business Services	Housing Revenue Account (HRA) Balances Consultancy Review	High	Final Report Issued	Not Applicable	Not Applicable	05/07/2016	New Activity
Finance & Business Services	Housing Revenue Account (HRA) Balances Consultancy Review follow	High	Final Report Issued	Not Applicable	Not Applicable	22/09/2016	New Activity
Tenant & Corporate Services	Gas Servicing	High	Audit in Progress				
Tenant & Corporate Services	Housing Rents	High	Audit in Progress				KPMG Joint Working Protocol
Tenant & Corporate Services	LGPS Regulations 2014	High	Audit in Progress				
Tenant & Corporate Services	Response Repairs Contract	High	Audit in Progress				
Tenant & Corporate Services	Code of Conduct for Employees and Social Media Policy	Medium	Final Report Issued	Satisfactory	Satisfactory	07/02/2017	
Tenant & Corporate Services	Complaints Process - Tenant Services	Medium	Final Report Issued	Satisfactory	Satisfactory	07/02/2017	
Tenant & Corporate Services	Electoral Service	Medium	Deferred				Carried forward to 2017/18 plan (service req)
Tenant & Corporate Services	Health and Safety - Housing Stock and Corporate Assets	High	Final Report Issued	Satisfactory	Satisfactory	07/02/2017	
Tenant & Corporate Services	Sheltered Housing Modernisation Project	Medium	Final Report Issued	Substantial	Substantial	22/09/2016	
Tenant & Corporate Services	Housing Revenue Account (HRA) Rent Debit 2017 - 18	High	Planned				
Finance & Business Services	Housing Revenue Account (HRA) Balances Consultancy Review follow	High	Final Report Issued	Not Applicable	Not Applicable	22/11/2016	New Activity