Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

LOCAL TAXATION 2016/17
EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

Local taxes comprise council tax and business rates. According to the 2015/16 financial statements, the Council collects over £24 million in council tax and £10 million in business rates (of which 49% is retained by the Council). Given the large sums of money involved and potential impact on its financial standing, it is important that the Council has robust and effective controls to minimise the risk of fraud and error.

Based on audit testing the key controls operating in relation to calculation of tax liabilities, updating of property records, and billing procedures are robust and operating effectively in practice. Sample testing of bills, property record updates and reconciliations confirmed 100% accuracy and compliance with key controls for both council tax and business rates. Testing of the system parameters which are updated as part of annual billing confirmed that these had been updated accurately and there is a good system of controls in place.

Follow up of last year's audit recommendations in respect of council tax identified that there is currently no senior officer review of cases where recovery action has been suspended. It is recommended that a quarterly review by a senior officer / team leader is introduced to improve the control in respect of these cases and ensure recovery action is only suspended where appropriate.

System access controls are adequate but could be further strengthened by retention of documentation relating to new users, development of arrangements to ensure that the Revenues team is notified of all leavers, and procedures to ensure the record of users' access rights is up to date and accurate. These issues were identified in the audit in 2014/15 and similar recommendations were made in the audit report that year.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides ***Substantial Assurance***, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance	⇔				
Risk	**Design**	**Comply**	**Recommendations**		
			H	**M**	**L**
01 – System access controls may be ineffective	**Sufficient Assurance**	**Sufficient Assurance**	0	0	3
02 & 03 - Key controls in respect of the Council Tax & Business Rates system may be ineffective	**Substantial Assurance**	**Substantial Assurance**	0	0	1
Total Number of Recommendations			**0**	**0**	**4**

Appendix B: Internal Audit reports finalised since last Committee Meeting – Executive Summaries

BENEFITS 2016/17
EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

Rutland County Council (RCC) spends approximately £8.4 million on Housing Benefits (HB). Given the large sums of money involved and potential impact on its financial standing, it is important that the Council has robust and effective controls to minimise the risk of fraud and error. Internal Audit sought assurance that there is a key control framework in place to address the risks associated with the administration and payment of Housing Benefits.

Internal Audit found that there are well established procedures for processing of new claims and changes of circumstances and there is a defined structure for the Benefits Service that provides for effective, consistent and reliable segregation of duties between key elements of the benefits process. Testing provided assurance that claims were complete, supported by appropriate evidence and accurately input onto the benefits system, with only minor immaterial exceptions. Furthermore, quality checks are carried out on approximately 10% of claims and appropriate action is taken where errors are identified.

Internal Audit were also able to confirm that the 2016/17 parameter upload for the housing benefit system (Civica) was conducted accurately and in a timely manner with appropriate independent review.

However, the recovery of HB overpayments through the sundry debt process could be strengthened. The recovery procedures taken by the Council were not consistent with the HB Overpayment Recovery Policy. In 45% of the sample tested by Internal Audit and there were instances where recovery action had not been taken for six months. The current sundry debt for HB overpayments is £227,742.03 (£192,136.96 relates to overpayments processed between 2006 and 2015).

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides ***Substantial Assurance***, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance	⇧				
Risk	**Design**	**Comply**	**Recommendations**		
			H	**M**	**L**
01 - Applications for support are not processed correctly, consistently or in line with policy and statutory requirements	**Substantial Assurance**	**Substantial Assurance**	0	0	0
02 - Failure to process change of circumstances accurately and promptly	**Substantial Assurance**	**Substantial Assurance**	0	0	0
03 - The arrangements for processing and pursuit of overpayments are inadequate and do not result in the effective recovery of the debt	**Sufficient Assurance**	**Sufficient Assurance**	0	1	0
Total Number of Recommendations			**0**	**1**	**0**

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COMMUNITY INFRASTRUCTURE LEVY & S106 AGREEMENTS 2016/17 EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

The Council formally adopted a Community Infrastructure Levy (CIL) in 2016. The CIL is a standard charge on new developments to fund required infrastructure as a consequence of their impact. New procedures to administer CIL have been adopted and embedded whilst the monitoring of s106 obligations already in place continues.

Skilled and experienced officers are in place to administer and monitor CIL and S106 cases and officers can cover each other's duties as required, to ensure continuity. S106 obligations are monitored by a monitoring spreadsheet, whereas new specialised software has been introduced to monitor CIL cases. Detailed case notes for both CIL and s106 cases were confirmed to be in place. Internal processes exist to ensure all new cases are identified and entered onto the monitoring records. Appropriate monitoring regimes, including inspections, are in place to monitor developments and request contributions due and testing confirmed that monitoring systems were working as intended and contributions were being received in a timely manner.

Quarterly monitoring meeting have been introduced, to which service heads responsible for spend of contributions are invited to discuss balances held. This raises awareness of requirements for spend within the scope and timescales of agreements. Risk of claw back of contributions is reduced by raising officer awareness in this way.

Review of the new Exacom system confirmed that it is set up in line with the CIL Regulations to help ensure compliance. Functionality of the CIL Administration module is being fully utilised as new cases require. In the future the Project Administration module will be used to monitor CIL balances held, however as at the date of testing only one balance had been collected so such functionality could not be fully reviewed.

The Council's publication of information in regards to CIL was also reviewed and found to be compliant with regulations. Due to the recent adoption of the CIL, an annual report has not yet been published but officers are aware of the requirements and timescales for the first report which they will need to complete.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides ***Substantial Assurance***, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Substantial Assurance	N/A				
Risk	**Design**	**Comply**	**Recommendations**		
			H	**M**	**L**
01 - Failure to recover and utilise all contributions secured through insufficient monitoring of agreements in place	**Substantial Assurance**	**Substantial Assurance**	0	0	0
02 - Claw back of income by developers	**Substantial Assurance**	**Substantial Assurance**	0	0	0
03 - CIL – Insufficient recordkeeping and non-compliance with publishing requirements	**Substantial Assurance**	**Substantial Assurance**	0	0	0
Total Number of Recommendations			**0**	**0**	**0**

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DATA MANAGEMENT 2016/17
EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

Rutland County Council (RCC) has a Document Retention and Records Management Policy in place and has created a Data Retention and Disposal Working Group to review the Council's current arrangements for data disposal and retention. Internal Audit sought assurance over the Council's procedures and controls to ensure data is held and disposed of in a secure manner and in compliance with the Data Protection Act.

It is evident that RCC is taking action to ensure that there are appropriate records management processes in place and data is held in accordance with the Corporate Data Retention Schedule. Good progress has been made and the Governance Co-ordinator is actively encouraging and supporting service areas to review their records and is monitoring their progress. However despite this, further work is required by the Council to ensure that all data is being held in accordance with the data retention schedule and data protection legislation. A lack of resource and other priorities has meant that data reviews are not being considered a priority and Internal Audit recommends that action is to be taken to put the Council to a more sustainable position.

Roles and responsibilities have been assigned at a senior level however these are not specifically highlighted in the Document Retention and Records Managements Policy and accountability for records management could be improved through the introduction of Records Management Officers in each service area.

Paper records are held securely throughout the Council and it is apparent that service areas keep sensitive data locked away, however access to electronic records requires review. A routine process for reviewing access to network folders does not exist and Internal Audit identified officers with desktop administrator access that did not require it, allowing them access to data in all network folders. The Council has since performed a review and revoked access where appropriate.

Suitable processes to dispose of confidential data and also to transfer sensitive data off site are in operation.

The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit. It is the Auditor's Opinion that the current overall design and operation of controls provides ***Sufficient Assurance***, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	**Not applicable**				
Risk	**Design**	**Comply**	**Recommendations**		
			H	**M**	**L**
01 - Lack of accountability and responsibility for records management.	**Sufficient Assurance**	**Substantial Assurance**	1	1	1
02 - Records are not created or maintained accurately, leading to non-compliance with the Data Protection Act.	**Substantial Assurance**	**Limited Assurance**	1	0	1
03 - Unauthorised access to the Council's records leading to possible data breaches, financial penalties and reputational damage.	**Sufficient Assurance**	**Limited Assurance**	1	2	1
Total Number of Recommendations			**3**	**3**	**3**

CONTRACT PROCEDURE RULES COMPLIANCE 2016/17 EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

The Council's contract procedure rules are primarily designed to ensure probity and value for money when procuring goods, works or services that meet the needs of local residents and comply with legal and regulatory requirements. This audit was carried out to provide assurance over compliance with the Council's Contract Procedure Rules. A similar audit was conducted as part of the 2015/16 audit plan and made a number of recommendations for improvement.

In 2015/16 Internal Audit reported that departmental contract registers were published on a quarterly basis but were found to be incomplete. Based on this year's testing there remains uncertainty over the completeness and accuracy of the published registers. From eight contracts in the audit sample, five had not been recorded in the latest published contract registers (January 2017). In order to address this, it has been agreed that the contracts registers will be reviewed and brought up to date and one master register held for each Directorate.

Similarly, whilst systems and processes have been updated and new forms developed, there remains scope to improve documentation and evidencing of compliance with certain aspects of contract procedure rules. It should be noted that in all cases the correct procurement method had been chosen and where applicable at least three quotations or tenders where obtained. Consequently, there is no direct evidence of poor value for money or fraud/corruption, although the level of compliance and record keeping remains an area for improvement.

Based on these findings, the framework of controls currently in place provide ***Sufficient Assurance*** that the identified risks have been appropriately mitigated. Detailed findings are set out in section 2 below. The audit was carried out in line with the scope set out in the approved audit planning record (APR). The assurance opinion is based upon testing of the design of controls to manage the identified risks and testing to confirm the extent of compliance with those controls, as summarised in Table 1 below.

Internal audit assurance opinion	**Direction of travel**				
Sufficient Assurance	⇔				
Risk	**Design**	**Comply**	**Recommendations**		
			H	**M**	**L**
Risk 1 - Failure to secure value for money and comply with Council policy and legislation.	N/A	Sufficient assurance	0	1	3
Total number of recommendations			0	1	3

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ADULT SAFEGUARDING POLICIES, PROCEDURES & COMPLIANCE 2016/17

EXECUTIVE SUMMARY

INTRODUCTION & OVERALL OPINION

Adult Safeguarding means protecting an adult's right to live in safety, free from abuse and neglect. It is about people and organisations working together to prevent and stop both the risks and experience of abuse or neglect, while at the same time making sure that the adult's wellbeing is promoted. Internal Audit sought assurance that controls are being exercised consistently and in accordance with Council procedures, including case audits, escalation processes and awareness of safeguarding procedures.

Leadership and accountability arrangements for adult safeguarding have been clearly defined and safeguarding roles and responsibilities are explicitly called out in job descriptions and policy and procedural documents. The Council has taken steps to ensure safe recruitment of staff working with vulnerable adults. All officers reviewed by Internal Audit had undergone appropriate recruitment checks such as enhanced Disclosure and Barring Service (DBS) checks.

Staff and the public are made aware of their duty to report a safeguarding concern and staff are suitably advised and trained on the signs and symptoms of abuse and how to report them. Sample testing confirmed that alerts are being logged and suitably assigned and strategy meetings are held to agree the best course of action to address the concerns. Whilst there are clear procedures in place to record, investigate and close a safeguarding alert, the current configuration of LiquidLogic does not allow officers to easily evidence the processes that have been followed. Internal Audit reviewed a sample of 15 alerts and testing highlighted a lack of evidence around threshold decisions, strategy discussions and referrer feedback. Since the implementation of LiquidLogic, the Prevention and Safeguarding Team have become aware of the system limitations and have had to implement workaround solutions to be able to record key data.

Access to LiquidLogic has been appropriately restricted, however Internal Audit identified a significant number of individuals that had access to personably identifiable safeguarding data held within a council network folder.

The audit was carried out in accordance with the agreed Audit Planning Record (APR. It is the Auditor's Opinion that the current overall design and operation of controls provides **Sufficient Assurance**, as summarised below:

Internal Audit Assurance Opinion	Direction of Travel				
Sufficient Assurance	Not applicable				
Risk	**Design**	**Comply**	**Recommendations**		
			H	**M**	**L**
01 - Poor leadership and accountability for safeguarding arrangements at the Council.	**Substantial Assurance**	**Substantial Assurance**	0	0	0
02 - Insufficient training and recruitment checks for staff working with children and/or vulnerable adults.	**Substantial Assurance**	**Substantial Assurance**	0	0	1
03 - Failure to identify or be informed of individuals potentially at risk of neglect and/or abuse.	**Substantial Assurance**	**Substantial Assurance**	0	0	0
04 - Failure to take action and provide necessary support for individuals at risk of neglect and/or abuse.	**Sufficient Assurance**	**Sufficient Assurance**	2	1	2
05 - Poor record keeping and sharing of information, leading to non-compliance with legislative requirements and possible reputational	**Sufficient Assurance**	**Limited Assurance**	1	0	1

damage.					
Total Number of Recommendations			**3**	**1**	**4**

LIMITED ASSURANCE REPORTS – FOLLOW UP 2016/17

IT SYSTEM ADMINISTRATION

IT System Administration	Issued December 2015	HIGH Priority Recommendations		MEDIUM Priority Recommendations		LOW Priority Recommendations	
		Made	Actioned	Made	Actioned	Made	Actioned
		0	**0**	4	**2**	1	**1**

Key Actions Taken:

In order to confirm whether controls are now operating effectively to promptly revoke network access for leavers, Internal Audit obtained a report of all network users with their last log on dates and tested it against the list of staff who had left the council since April 2016. This testing did not identify any leavers as having logged onto the Council's network after their official leave date.

The software now in use and the audit processes within the team are operating well. The audit follow up did highlight some cases where access to the network was not revoked in a timely manner but in response to this the IT team have now implemented further controls to strengthen this, including:

- A business rule within the service desk system to automatically send an email alert to everyone in the IT team asking to disable / set account expiry and remove from the global address list straight away on receiving notification from HR;
- Adding a further process to the internal Daily Checks which involves looking back at emails received into the service desk the previous day to check that accounts have been restricted as advised by HR; and
- Adding new mandatory fields on the helpdesk system.

A Change Control Policy was drafted but this has not yet been adopted and embedded in practice. It is noted, however, that since March 2016 a clear staffing structure has been in place and management have advised that this has allowed for clear decision making and the seeking of approvals for change (although these are not consistently documented).

The Head of IT has produced a checklist for all systems administrators which was circulated in December 2015 and requires details of key controls and procedures for each system. These have not yet been completed and returned for all systems but provide a useful basis for system administration.

Internal Audit selected two applications in use at the Council and tested their current access rights to ensure that all users with the system access were current members of staff. The lists of all current users for the licensing system 'Flare' and the elections system 'Elreg' were obtained and no leavers were identified as still retaining access.

Open Actions:

- The Change Control Policy and Procedures are yet to be adopted and embedded.
- Annual completion of checklists by all system administrators, for corporate applications, to be enforced and good practice guidance to be issued by the IT team to all administrators based

on responses and areas of concern. (*Partially implemented)*