
INTERNAL AUDIT ANNUAL REPORT 2016/17

1 PURPOSE OF REPORT

- 1.1 To provide the Chief Audit Executive's annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control during 2016/17.

2 BACKGROUND

- 2.1 The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective internal audit service in accordance with proper practices. For this purpose, proper practices are deemed to be the UK Public Sector Internal Audit Standards.
- 2.2 The UK Public Sector Internal Audit Standards require that the Chief Audit Executive must give an annual internal audit opinion and provide a report that can be used by the Council to inform its Annual Governance Statement (AGS).
- 2.3 Whilst the work of Internal Audit is a key element informing the AGS, there are also a number of other sources within the Council from which the Section 151 Officer and Members should gain assurance, for example, service assurance statements and other reviews by external bodies, including external audit.

3 INTERNAL AUDIT COVERAGE AND OUTPUT

- 3.1 The Audit Committee approved the annual audit plan in June 2016. The Audit Committee has received progress updates on the delivery of the audit plan and the results of individual audits throughout the year.
- 3.2 Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.
- 3.3 Appendix 1 summarises the Internal Audit work completed in 2016/17 and the assurance opinions given. Appendix 2 provides the main points for the audit reviews completed post March 2017.
- 3.4 The Annual Audit Plan remained fluid throughout the year to maintain an effective focus and to take account of changing needs for audit resource. Internal Audit delivered 287 planned days across 14 review areas within the 2016/17 Annual Audit Plan over the course of the year ending 31 March 2017.
- 3.5 The following planned audits for 2016/17 have not been undertaken and are included in the plan for 2017/18.

Audit Area	Proposed Scope
Programme Office	To assess whether there are robust processes in place to develop and agree business plan related projects and then monitor their overall delivery.
Bank Reconciliation	To assess whether the key controls in the key financial systems are adequately designed and effectively applied.
Housing	To assess whether decisions to allocate housing are made correctly in line with established policy.
Environmental Health	To assess whether there is effective planning and delivery of statutory required inspections.
Information Governance	To assess whether there is an up to date policy framework setting out how the Council will manage data.

3.6 Recommendations arising from completed audit engagements are shown in Appendix 3. This also details the current status of whether the recommendation is implemented or when it is due to be implemented.

4 CHIEF AUDIT EXECUTIVE OPINION

4.1 My audit opinion is based upon, and restricted to, the work that has been performed during the year, including assessments of the:-

- design and operation of the underpinning assurance framework and supporting processes, including reliance on other assurance providers where appropriate;
- range of individual opinions arising from our risk-based audit assignments contained within the internal audit risk-based plan that has been reported throughout the year; and
- relative materiality of the areas reviewed and management's progress in respect of addressing control weaknesses identified.

4.2 The opinion does not imply that Internal Audit has reviewed and commented on all risks and assurances relating to the Council. It should be stated that it is not expected that all Council activities will be subject to internal audit coverage in any one year. A key area where Internal Audit has not undertaken any work for 2016/17 is in relation to Information and Communication Technology and in this respect is reliant on other forms of assurance, both internal and external.

- 4.3 I conclude that my overall audit opinion is one of adequate assurance, which means that, whilst there is basically a sound system of internal control, there are some areas of weakness which may put the Council's objectives at risk. It should also be recognised that the Council continues to implement a programme of considerable organisational change through 2017/18 that will directly impact on the internal control environment, notably the ICT migration project.

5 COUNTER FRAUD ACTIVITY

- 5.1 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. The work of Internal Audit is planned so that there is a reasonable expectation of detecting significant control weaknesses. However, it should be noted that Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- 5.2 In the absence of a dedicated counter fraud resource tasked with conducting fraud investigations, work has been limited to that associated with the prevention and detection of revenues and benefits fraud; investigation of false representation in relation to council tax discounts, disregards and Local Council Tax Support which replaced Council Tax Benefit from 1 April 2013.
- 5.3 It is acknowledged the Council needs a wider, more strategic approach to counter-fraud arrangements that proactively target significant key fraud risk in all areas of the Council's day to day business and measures are in hand to address this. Internal Audit work considers the risk of fraud in planning all individual audits.

6 EFFECTIVENESS OF INTERNAL AUDIT

- 6.1 It was reported to the Audit Committee back in December 2015 that Internal Audit did not comply in a number of key aspects with the Public Sector Internal Audit Standards (PSIAS). Of note was the fact it did not have a nominated Chief Audit Executive. For 2016/17 this role was performed by an officer from Essex County Council, but going forward will be undertaken by an officer of Basildon Borough Council under a three year agreement.
- 6.2 On the back of a self-assessment against the PSIAS for 2015/16 Essex County Council's Internal Audit Team undertook a peer review of the Council's internal audit and counter fraud services. This review assessed structure, skills, working practices, coverage and impact. An improvement action plan was agreed to address identified weaknesses. Significant progress has been made in addressing the recommendations made. Appendix 4 provides details of the work undertaken to date.

- 6.3 A self-assessment of Internal Audit has been undertaken against the PSIAS for 2016/17, which showed significant compliance with the standards for 2016/17. An external review will be commissioned in January 2018 to meet the requirement for such every five years; the results will be reported to the Audit Committee in due course.

7 ISSUES FOR THE ANNUAL GOVERNANCE STATEMENT

- 7.1 No issues, other than those already disclosed, have come to the attention of the Chief Audit Executive that need to be disclosed in the Annual Governance Statement.

8 RISK IMPLICATIONS

- 8.1 Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that weaknesses in the Council's governance, risk management and internal control framework may not be promptly identified and remedied. Failure to do so may mean the Council does not achieve its vision and objectives.

9 RESOURCE IMPLICATIONS

- 9.1 The current level and make up of in-house and other available third party internal audit resource is considered sufficient at present. The Internal Audit Team is currently subject to further examination in terms of role optimisation.
- 9.2 Thought is to be given to supplementing broader existing in-house resource in areas where there is a lack of expertise or resource; such as ICT Audit and Counter Fraud.

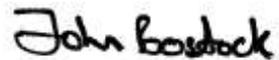
10 LEGAL IMPLICATIONS

- 10.1 The Accounts and Audit Regulations 2015 (section 5) require the Council to undertake an effective programme of internal auditing to evaluate the effectiveness of its risk management, control and governance processes, taking into account relevant public sector internal auditing standards or guidance.

11 RECOMMENDATION

- 11.1 It is proposed that the Committee **RESOLVES**

That the Chief Audit Executive's opinion on the overall adequacy and effectiveness of the Council systems of governance, risk management and internal control be noted.



John Bostock

Assistant Director, Democratic Services

Background Papers:-

None.

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APPENDIX 1 – SUMMARY OF WORK COMPLETED

Audit Area	Core Element of Plan	Current Status	Date Final Report Issued	Assurance Level Given (at time of review)	Reported to Audit Committee	Number of Recommendations
2015/16 Audits:						
Housing Benefits	Key Financial	Completed	April 2016	Good	June 2016	1
Cash & Banking	Key Financial	Completed	April 2016	Good	June 2016	5
IT Security & Access	Key Financial	Completed	April 2016	Adequate	June 2016	2
Investments	Key Financial	Completed	April 2016	Adequate	June 2016	2
Main Accounting	Key Financial	Completed	April 2016	Adequate	June 2016	2
					Total	12
2016/17 Audits:						
Housing Benefits Subsidy	Key Financial	Completed	12/8/16	Not Applicable	September 2016	0
					Total	0
Disabled Facility Grants	Early Intervention	Completed	21/10/16	Limited +	December 2016	4
Contract Monitoring – Materials Recycling Facility	Financially Self-Sufficient	Completed	11/11/16	Limited +	December 2016	5
Budget Monitoring	Financially Self-Sufficient	Completed	18/11/16	Adequate	December 2016	6
					Total	15

Audit Area	Core Element of Plan	Current Status	Date Final Report Issued	Assurance Level Given (at time of review)	Reported to Audit Committee	Number of Recommendations
Safeguarding	Early Intervention	Completed	February 2017	Adequate	March 2017	7
Debtors	Key Financial	Completed	16/2/17	Limited -	March 2017	10
Creditors	Key Financial	Completed	31/1/17	Adequate	March 2017	3
Council Tax	Key Financial	Completed	23/1/17	Adequate	March 2017	4
Business Rates	Key Financial	Completed	23/1/17	Limited	March 2017	7
Compliance with Contract Procedure	Financially Self-Sufficient	Completed	12/1/17	Limited	March 2017	8
					Total	39
Cash & Banking	Key Financial	Completed	21/4/17	Good	June 2017	5
Payroll	Key Financial	Completed	26/4/17	Adequate +	June 2017	4
Investment	Key Financial	Completed	28/4/17	Good	June 2017	1
Main Accounting	Key Financial	Completed	28/4/17	Adequate -	June 2017	3
Housing Benefits	Key Financial	Completed	21/4/17	Adequate -	June 2017	4
Health & Safety	All Priorities	Completed	10/5/17	Not Applicable	June 2017	0
Business Continuity Planning	All Priorities	Completed	10/5/17	Adequate -	June 2017	5
					Total	22
Local Authority Trading Company	Financially Self-sufficient	In Progress				
Risk & Performance Management	All Priorities	In Progress				

Other work undertaken by Internal Audit / third party assurance provided:		
Audit Area	Core Element of Plan	Nature of work
Conduct / Grievance	Other audit activity	Three conduct investigations undertaken on behalf of HR.
Elections	Non-Audit Activity	Support provided to complete electoral roll issues prior to EU Referendum

APPENDIX 2 –

AUDIT ENGAGEMENTS COMPLETED SINCE MARCH AUDIT COMMITTEE

CASH & BANKING – REPORT 11 (2016/17)

Audit objective

To assess whether the key controls in the financial systems used by Resources are adequately designed and effectively applied

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

Business Plan objective	Maximise our assets Become financially self-sufficient
Corporate risk	Failure to ensure good governance of the Council’s activities and delivery of its priorities Data is lost, disclosed or misused to the detriment of individuals or organisations

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council’s activities.

The collection, processing and banking of cash and other payments and allocation to the relevant income lines is a key function within the Authority. Accordingly this function is a key area for Internal Audit’s annual work plan

Audit Opinion

Our opinion is expressed on the scale of assurance as set out below:

Higher level of assurance			
Good	Adequate	Limited	None
✓			
<i>The cash and banking function is well established with sufficient controls and procedures that are effectively and consistently applied.</i>			

We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Potential risk audited Per agreed audit brief	Assurance Level	No. of Recommendations
Payments to the council from originating payment systems (e.g. Direct Debits, debit/credit card payments, by telephone and website, car parking income etc.) are not completely and accurately recognised on the income management system.	Good	1 Moderate 1 Low
Cash received is not banked in full, promptly and securely	Good	None
CHAPS or BACS payments are made inappropriately	Adequate	1 Moderate
The relevant financial system is inappropriately accessed leading to error, fraud, or loss or misuse of data	Adequate	2 Moderate

PAYROLL – REPORT 12 (2016/17)

Audit objective

To assess whether the key controls in the financial systems used and processes followed by the Resources department are adequately designed and operate consistently and effectively.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

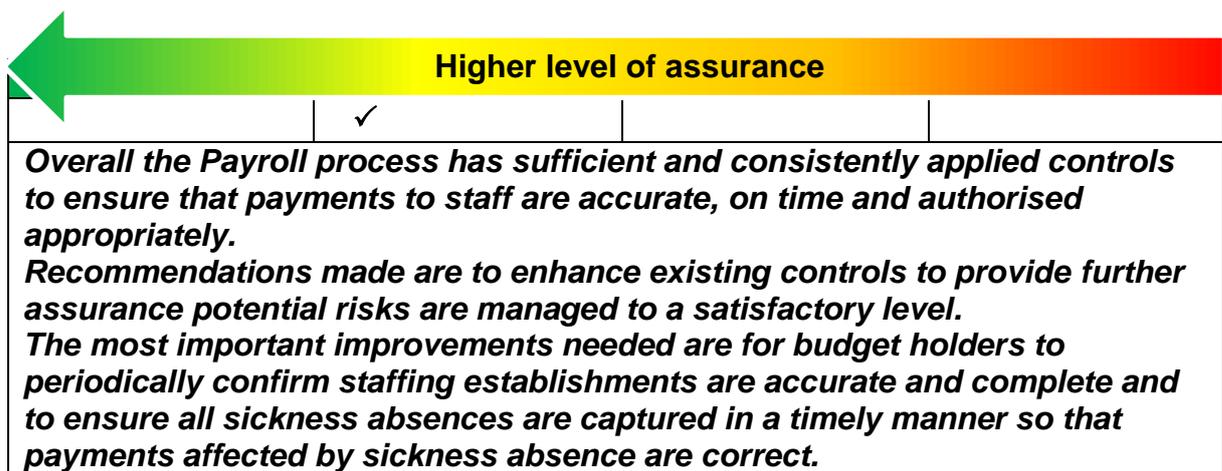
Business Plan objective	Maximise Our Assets
Corporate risk	Become Financially Self-Sufficient Failure to ensure good governance of the Council’s activities and delivery of its priorities Data is lost, disclosed or misused to the detriment of individuals or organisations

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council’s activities.

Audit opinion

Our opinion is expressed on the scale of assurance as set out below:



Our opinion is expressed as a level of assurance as set out in the table below. We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Potential risk audited Per agreed audit brief	Assurance Level	No. of Recommendations
Payments are made to ghost employees	Adequate	1 Moderate
Staff records are amended incorrectly (e.g. in relation to increments awarded or change in salary etc.) or inappropriately (e.g. due to fraud) resulting in inaccurate payments	Adequate	1 Moderate
Invalid, incomplete or inaccurate payments are made due to erroneous or fraudulent amendment of BACS payment instructions	Good	None
Salary deductions (e.g. of income tax, national insurance, pension and other voluntary deductions) are incompletely or incorrectly made	Good	None
Staff continue to be paid after they have left	Good	None
Payroll payments are made early or late	Good	None
The relevant financial system is inappropriately accessed leading to error, fraud, or loss or misuse of data	Adequate	1 Low 1 Moderate

MAIN ACCOUNTING – REPORT 13 (2016/17)

Audit objective

To assess whether the key controls in the financial systems used by Financial Services are adequately designed and effectively applied.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

- | | |
|--------------------------------|---|
| Business Plan objective | <ul style="list-style-type: none"> • Maximise our assets • Become financially self-sufficient |
| Corporate risk | <ul style="list-style-type: none"> • Failure to ensure good governance of the Council’s activities and delivery of its priorities • Data is lost, disclosed or misused to the detriment of individuals or organisation • |

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council’s activities.

Audit Opinion



Good	Adequate	Limited	None
	✓		
<p>Overall, the process for maintaining the Council’s General Ledger system is assessed as adequate. No issues were found through testing in respect of underlying transactions, although the procedure for processing journals is not being fully documented in line with documented procedures.</p> <p>The process for reconciling the bank statement to the General Ledger appears to be appropriate however changes to the template for the Expenditure items will enhance existing procedures.</p> <p>The use of the feeder system, importing transactions from other Council systems into the General Ledger, has operational problems within the system itself; affecting one type of feeder from Academy. The rectification of this is out of the Council’s direct control; however the risk of incorrectly processing entries is being managed effectively.</p>			

Our opinion is expressed as a level of assurance as set out in the table below.

We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Risk area	Assurance Level	No. of Recommendations
Account balances are inaccurate following inappropriate use of journals	Limited	1 Significant 1 Moderate
Account balances do not reflect all transactions following incomplete or incorrect reconciliations with other key financial systems and the bank accounts	Good	1 Low
The relevant financial system is inappropriately accessed leading to error, fraud, or loss or misuse of data	Good	None

HOUSING BENEFITS – REPORT 14 (2016/17)

Audit objective

To assess whether the key controls in the financial systems and processes used by Revenues and Benefits are adequately designed and effectively applied

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

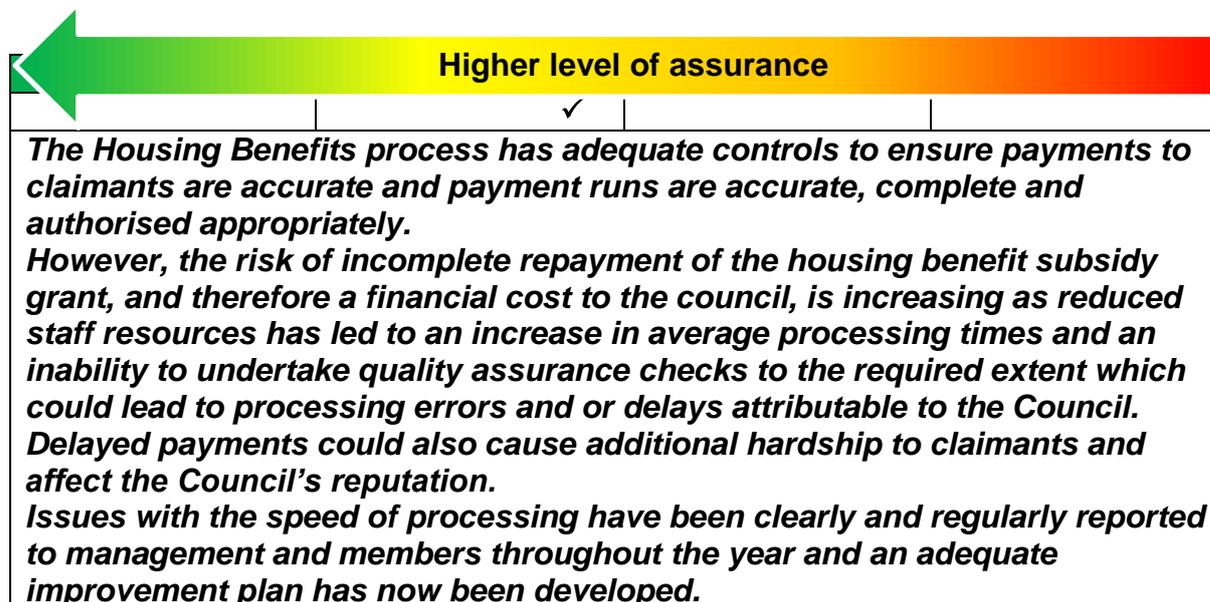
Business Plan objective	Maximise our assets
Corporate risk	Failure to ensure good governance of the Council's activities and delivery of its priorities
	Council held data is lost, destroyed, disclosed or misused to detriment of individuals or organisations

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council's activities

Audit opinion

Our opinion is expressed on the scale of assurance as set out in the table below:



We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Potential risk audited	Assurance Level	No. of Recommendations
Per agreed Audit Brief		
The Housing Benefit system's	Good	None

Potential risk audited Per agreed Audit Brief	Assurance Level	No. of Recommendations
parameters are inaccurate leading to incorrect assessments and eligibility assessments and payments		
Claims are processed inaccurately resulting in inaccurate payments	Adequate	2 Moderate
Payments are not made accurately, completely or in a timely fashion	Adequate	None Service has commenced introduction of measures to rectify issues seen prior to commencement of audit work
Overpayments are not identified and actively pursued	Adequate	1 Moderate 1 Low
Write-off of debts not approved in line with Financial Regulations	Good	A relevant recommendation was made during the Council Tax audit and has been implemented. No additional recommendation required
Inappropriate or unauthorised access to financial systems leading to error, fraud, or loss or misuse of data	Good	None
Staff are not asked to declare relevant interests regarding benefit claimants and or; declarations are not acted upon appropriately leading to an inability to counter perceptions of favouritism	None	None - Service Area recommendation (Moderate) raised in Council Tax Audit Report

INVESTMENTS – REPORT 15 (2016/17)

Audit objective

To assess whether the key controls in the financial systems used by Resources are adequately designed and effectively applied.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

Business Plan objective	Maximise our assets Become financially self-sufficient
Corporate risk	Failure to ensure good governance of the Council’s activities and delivery of its priorities Data is lost, disclosed or misused to the detriment of individuals or organisations

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council’s activities.

Audit opinion

Our opinion is expressed on the scale of assurance as set out in the table below:



Good	Adequate	Limited	None
✓			
<p><i>The Treasury Management policy and supporting practices are satisfactory and reported on to management and members as required. No significant issues have been identified.</i></p>			

We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Potential risk audited	Assurance Level	No. of Recommendations
Per agreed Audit Brief		
Treasury management practices are not defined and or defined in line with required Cipfa code of practice and therefore does not meet statutory requirement	Good	None
Treasury management decisions are taken by staff without sufficient knowledge, experience or training	Good	None

Potential risk audited Per agreed Audit Brief	Assurance Level	No. of Recommendations
There is not regular reporting on Treasury Management activity and performance in line with required Cipfa code of practice and therefore does not meet statutory requirements	Good	None
Investments are made which do comply with the approved Treasury Management strategy increasing the risk of loss	Good	None
Cash flows are not accurately forecast resulting in a failure to meet liabilities as they become due or incurring avoidable borrowing costs or missed investment income	Good	None
Payments are made in error or fraudulently	Good	None
Maturing investments and loans and their associated interest payments are not received promptly and in full	Adequate	1 Moderate
Borrowings do not comply with Treasury Management policies which may result in the Council acting outside of its powers or borrowings with excessive costs	Not Applicable	No Borrowing Made or outstanding in 2016/17
The maturity profile of borrowings is unaffordable or could require re-financing at unfavourable rates. Opportunities to re-finance are not regularly considered to manage future interest rate risk or reduce current costs of borrowings.	Not Applicable	No Borrowing Made or outstanding in 2016/17
Borrowings are not paid back on time or in full.	Not Applicable	No Borrowing Made or outstanding in 2016/17
The relevant financial system is inappropriately accessed leading to error, fraud, or loss or misuse of data	Good	None

HEALTH & SAFETY – REPORT 16 (2016/17)**Audit objective**

To assess whether the improvement actions from the 2015 peer review of the Council's management of Health and Safety (H&S) are progressing in a timely manner to develop an effective H&S regime.

Given the nature of this review no formal Audit Opinion on the overall effectiveness of the management of H&S has been expressed.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

- | | |
|--------------------------------|--|
| Business Plan objective | • Health & Safety requirements relate to all Business Plan Priorities |
| Corporate risk | • Failure to ensure good governance of the Council's activities and delivery of its priorities |
| | • |

Reason for inclusion in the annual audit plan

This audit is a planned assurance review identified through the annual assessment of all Council's activities.

Audit Summary

There has been significant progress since the December 2015 external review with a new H&S policy and several supporting policies & procedures. Management level training, fire marshal training & duties, and introduction of periodic workplace inspections are now in place.

Many of the improvement actions arising from that review have been completed and the remainder are in various stages of progression. Some areas such as certain risk assessments and H&S aspects of contract management have not progressed significantly to date but plans are in place to address these during 2017/18. Other related issues, in addition to the findings of the 2015 review, have been identified by the H&S Officer, appointed mid-2016, and are being built into the planning going forward. An H&S Strategy is to be introduced.

Much of the infrastructure is now in place and as action points and additional considerations are completed the H&S regime will strengthen. Continuation of top-down leadership is essential to drive improvements forward.

A further review of H&S has been included in the 2017/18 Audit Plan at which time an assurance level assessment will be reported

BUSINESS CONTINUITY PLANNING – REPORT 17 (2016/17)

Audit objective

To assess whether there are robust and comprehensive business continuity plans that have been tested to demonstrate their effectiveness.

Corporate links

This audit contributes to the assurance available in regard to the following Business Plan objectives and risks identified on the corporate risk register:

Business Plan objective	All business plan objectives
Corporate risk	We fail to respond to, or provide, relevant services in the event of an incident or disaster

Reason for inclusion in the annual audit plan

This audit is a planned, standard assurance review identified through the annual assessment of all Council’s activities.

Audit opinion

Our opinion is expressed on the scale of assurance as set out below:



Good	Adequate	Limited	None
✓			
<p><i>Business continuity arrangements are generally adequate and proportionate. The most important improvement needed is to ensure the “call cascade” process to alert staff to a business continuity incident could be effectively invoked.</i></p> <p><i>Other enhancements include agreeing an ultimate priority listing of services to help effectively manage council-wide incidents and more formally assessing whether previous tests and responses to incidents were effective to improve arrangements.</i></p>			

Our opinion is expressed as a level of assurance as set out in the table below. We have formed our audit opinion based on how well controls have been designed and effectively operated to mitigate the following risks:

Potential Risk Audited	Assurance Level	No. of Recommendations
Per agreed Audit Brief		
Business continuity plans are not in place or do not clearly set out how disruptions to business will be managed in line with agreed priorities for a range of scenarios	Adequate	1 significant 3 moderate
Failure to review and communicate the	Adequate	1 moderate

Potential Risk Audited Per agreed Audit Brief	Assurance Level	No. of Recommendations
outcomes of business continuity testing and update plans accordingly		

APPENDIX 3 – AUDIT RECOMMENDATION PROGRESSION

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
3 2016/17	Safeguarding	1	M	A full review of the recruitment policy will be undertaken, together with the range of supporting procedures documentation	Agreed Implementation Date 30/4/2017. Linkage to proposed People Policy which has to be agreed prior to creating Value Based Recruitment Policy Revised to 31/8/2017
3 2016/17	Safeguarding	2	M	The documentation review will include the identification of the relevant officer with responsibility for undertaking additional identification checks or UK eligibility to work checks if required	Agreed Implementation Date 30/4/2017 Linkage to proposed People Policy which has to be agreed prior to creating Value Based Recruitment Policy Revised to 31/8/2017
3 2016/17	Safeguarding	3	S	Procedures will be introduced to obtain formal evidence of a current DBS check in cases when a relevant post is filled via an employment agency	Agreed Implementation Date 31/3/2017. Revised to 31/5/17 In progress but not yet completed Revised to 30/6/2017
3 2016/17	Safeguarding	4	M	A review of roles will be carried out to ensure that those requiring a DBS check are up to date in those checks and roles that do not require one do not have checks made	Agreed Implementation Date 31/3/2017. Revised to 31/5/17 Implemented DELETE

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
3 2016/17	Safeguarding	5	M	General awareness training for staff, other than those requiring a role related higher level of training, will be rolled out and monitored for completion	Agreed Implementation Date 31/3/2017 Implemented DELETE
3 2016/17	Safeguarding	6	M	All policies and procedures that support Safeguarding will be reviewed to ensure that versions on the website and intranet are up to date	Agreed Implementation Date 30/6/2017
3 2016/17	Safeguarding	7	L	Work to progress an approach for dealing with safeguarding with contractors, partners and others working with or on behalf of the Council will be managed in accordance with the Safeguarding Action Plan	Agreed Implementation Date 30/6/2017
4 2016/17	Contract Management - MRF	2	M	Risk-assess the contract specification to identify the most important requirements that need active and evidenced contract management activity. Use this risk assessment to direct and record contract management activity.	Revised Implementation Date 24/3/2017 Implemented DELETE
4 2016/17	Contract Management - MRF	5	M	See also recommendation 2. As part of the current corporate work stream to embed a culture of cross-team working, discussions were undertaken with the Procurement team to identify opportunities where contract management tasks could be completed as part of procurement processes. Opportunities could be around the regular request and receipt of insurance policies, business continuity plans, and information on financial standing. It was determined that this did not best fit within this team due to potential specialist requirements and resourcing implications. Environmental Services should therefore consider other options to meet this requirement. This could be either	Agreed Implementation Date 31/3/2017 Implemented DELETE

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
				completed by the contract manager themselves or meeting with other contract managers from other councils party to this contract and sharing roles to check these requirements and then sharing the outcome and therefore assurance.	
6 2016/17	Debtors	1	S	Revised procedures will be introduced for identifying, actioning and recording of “create invoice” requests	Agreed Implementation Date 31/7/2017
6 2016/17	Debtors	2	M	<p>The Invoice Request form will be amended to include the date of submission and originating service area details.</p> <p>Invoice Request forms will be saved electronically for audit trail purposes, to minimise paper usage and for data security.</p>	<p>Agreed Implementation Date 28/2/2017 for part 1 Implemented</p> <p>Second part to be considered as part of a wider debtor & creditor business process review – 30/6/2017</p>
6 2016/17	Debtors	3	L	<p>Periodically due income will be recorded on a master spreadsheet broken down by tabs relating to the month the income is due to be invoiced. Core data can either be recorded on the spreadsheet or a hyperlink to a master Invoice Request form stored for information uplift as required.</p> <p>The spreadsheet will then be updated with the invoice date and number to maintain an audit trail, minimise paper usage and save Officer time</p>	Agreed Implementation Date 31/7/2017

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
6 2016/17	Debtors	4	M	A basic VAT guide will be created for use by departments when claiming income due to the Council; however responsibility will lie with the Payments & Income team to classify VAT correctly on all raised invoices	Agreed Implementation Date 31/7/2017
6 2016/17	Debtors	5	S	The Corporate Debt Policy will be re-written to clarify ownership, scope, usage (including escalation processes), procedure and Legal requirements dependant on the nature of the debt. It should be in-line with the Council's Constitution and the scheme of financial delegation, along with the Local Government Ombudsman and be available for use by internal staff to ensure adherence to all debt recovery matters.	Agreed Implementation Date 31/7/2017
6 2016/17	Debtors	6	S	Formal operational debt recovery procedures for staff use will be documented which will translate the Corporate Debt Policy into required actions so staff consistently and effectively recover income.	Agreed Implementation Date 31/7/2017
6 2016/17	Debtors	7	S	Reports will be provided that calculate and state the level of debts that are paid within payment terms	Agreed Implementation Date 31/7/2017
6 2016/17	Debtors	8	S	A clear aged debtor report will be sent to management on a monthly basis to give a breakdown of debt outstanding by age and value. The aged debtor report should be supported by summary detail of activity taken in the last month to recover debt.	Agreed Implementation Date 31/7/2017

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
6 2016/17	Debtors	9	M	The write off report submitted for the Section 151 Officer's approval should be in a format that prevents any amendments post-authorisation. For instance through the use of a PDF instead of a Word / Excel document. The trail of the authorisation should also be saved in a manner which maintains the full audit trail of the write offs submitted and their authorisation and prevents any amendments.	Agreed Implementation Date 28/2/2017 To be considered as part of a wider debtor & creditor business process review – 30/6/2017
6 2016/17	Debtors	10	M	Independent Officer checks will be carried out in a timely manner to ensure no inappropriate account adjustments or write offs in relation to Debtor processes	Agreed Implementation Date 28/2/2017 To be considered as part of a wider debtor & creditor business process review – 30/6/2017
7 2016/17	Creditors	2	M	Procedures will be developed to provide information to senior management on cases where orders are placed without proper authorisation and how matters will be dealt with	Agreed Implementation Date 28 February 2017 Implemented DELETE
7 2016/17	Creditors	3	M	Holders of Council credit cards will be reminded of the requirement to obtain a VAT receipt to enable the Council to minimise expenditure	Agreed Implementation Date 28 February 2017 Implemented DELETE
8 2016/17	Council Tax	4	M	Staff within Revenues & Benefits will be required to sign a declaration that they will not undertake any work on accounts where they may have a personal interest or a potential conflict of interest, without prior approval to do so by a member of management. This applies to processing of Business Rates and Housing Benefit also	Agreed Implementation Date 31/3/2017 Implemented DELETE

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
9 2016/17	Business Rates	1	S	A review of significant changes in the 2017 Valuation List, compared to the 2010 List will be carried out to enable clarification about current valuations	Agreed Implementation Date 31/3/2017. Revised to 31/5/2017 Implemented DELETE
9 2016/17	Business Rates	2	S	All chargeable properties identified in 2016/17 but not processed at the time of audit testing will be set up on the VOA database to enable billing	Agreed Implementation Date 31/3/2017. Revised to 31/5/2017 Implemented DELETE
9 2016/17	Business Rates	3	M	New builds or alterations advised by Building Control will be reviewed in a timely manner to ensure accurate billing	Agreed Implementation Date 31/3/2017 Implemented DELETE
9 2016/17	Business Rates	5	S	A full review of Small Business Rate Relief will be carried out for charge payers with multi-property ownership to ensure accurate processing	Agreed Implementation Date 31/3/2017 Revised to 31/5/2017 Implemented DELETE
10 2016/17	Compliance with Contract Procedure Rules	1	S	Submit a request for an exemption for the procurement of emergency accommodation for the homeless based on rule 3.4. Arrangements to provide ongoing, non-emergency accommodation needs to awarded through an appropriate procurement procedure in line with CPR given total contract value.	Agreed Implementation Date 30/6/2017
10 2016/17	Compliance with Contract Procedure Rules	2	S	The Assistant Director of Commercial Services will require the Procurement Team report to them and Section 151 officer and/or Leadership Team the numbers and trends of rejected orders (e.g. common	Agreed Implementation Date 30/9/17 Target of 31/3/2017 to provide a

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
				reasons, hotspots of non-compliant services) to effectively target remedial action.	means of reporting as an interim measure due to reliance on IT Project completion for the Report Writer tool. This element is completed
10 2016/17	Compliance with Contract Procedure Rules	3	M	Produce reports from FocalPoint of the volume and value of invoices received without prior approved orders. Report to Leadership Team and Assistant Directors on 'hotspots' of non-compliance so that appropriate action can be taken to improve compliance.	Agreed Implementation Date 30/9/2017 Implemented DELETE
10 2016/17	Compliance with Contract Procedure Rules	4	M	The Tender Record Book will be used in all paper-based tender exercises – recording the number of issued tenders at the time of posting and receipt of all individual tenders on an as-received basis. The page will also be "closed" once the deadline has passed. COMPLETED The administration for contract management will be reviewed and implemented by the Procurement Team and formal procedure notes will be written and maintained. This will include the maintenance and storage of files.	Agreed Implementation Date 30/4/2017 for the administrative function. Procedure notes are under development and will be rolled out, with training Revised to 31/7/17
10 2016/17	Compliance with Contract Procedure Rules	5	M	A clear audit trail of changes made to scores needs to be maintained and relevant evidence retained. The final version of scores used to calculate the winning bids and their rankings should be circulated to all Officers involved in the process and confirmation sought that the numbers entered are accurate.	Agreed Implementation Date 31/3/2017 Implemented DELETE
10 2016/17	Compliance with Contract Procedure Rules	6	M	An appropriate procedure will be implemented to report all authorised exemptions to the Procurement Team as they are approved by the relevant Assistant Director.	Agreed Implementation Date 31/3/2017 Implemented DELETE

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
10 2016/17	Compliance with Contract Procedure Rules	7	M	As part of the next review of CPR, review the following to ensure exemptions are used in an appropriate manner but also supports the delivery of business objectives: <ul style="list-style-type: none"> • threshold for exemptions • criteria for exemptions provides sufficient clarity on the principles of when exemptions are appropriate 	Agreed Implementation Date 30/9/2017
10 2016/17	Compliance with Contract Procedure Rules	8	S	The Procurement Team will create the relevant reports within FocalPoint to identify potential cases of: <ul style="list-style-type: none"> • disaggregated spend to avoid a more rigorous competitive exercise • non-use of corporate contracts or framework agreements • invoices received without appropriate prior approved orders In addition, consider updating Contract Procedure Rules to outline how and roles and responsibilities to manage this risk.	Agreed Implementation Date 30/9/2017 Target of 31/3/2017 to provide a means of reporting as an interim measure due to reliance on IT Project completion for the Report Writer tool. This element is completed.
11 2016/17	Cash & Banking	1	M	Procedures will be reviewed to ensure that VAT transactions in relation to car parking via the Cash Receipting system are correctly processed	Agreed Implementation Date 30 April 2017 Implemented DELETE
11 2016/17	Cash & Banking	2	L	A risk-review will be made of the secondary check for transfers within the Cash Receipting system to determine its value as a control	Agreed Implementation Date 31 May 2017 Implemented DELETE
11 2016/17	Cash & Banking	3	M	Access to BACS text files will be restricted to officers with a specific business need	Agreed Implementation Date 30 April 2017 Implemented

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
					DELETE
11 2016/17	Cash & Banking	4	L	A review of those with user rights on Cash receipting will be carried out to ensure it is kept up to date with relevant users	Agreed Implementation Date 31 May 2017 Implemented DELETE
11 2016/17	Cash & Banking	5	M	Steps will be taken to ensure those with administrator rights on Cash Receipting have access to all relevant areas required to carry out the role	Agreed Implementation Date 31 May 2017 Implemented DELETE
12 2016/17	Payroll	1	M	A half-year circulation of the Establishment List will be made to Directors and Assistant Directors will be introduced to obtain their confirmation that staff recorded are current employees in their relevant directorates	Agreed Implementation Date 31 May 2017 Implemented DELETE
12 2016/17	Payroll	2	M	The process for receiving reports of sickness absence will be strengthened to ensure Payroll are made aware of all absence sickness dates	Agreed End Date 31 October 2017
12 2016/17	Payroll	3	L	there will be a periodic review of TeamSpirit to ensure that users listed have a current business need for access	Immediate Implementation DELETE
12 2016/17	Payroll	4	M	Measures will be put in place to ensure there is an adequate number of system administrators for TeamSpirit to meet day to day operational requirements	Immediate Implementation DELETE
13 2016/17	Main Accounting	1	S	The Journal Log will be completed in full by all members of staff who process journals on the Dimensions Finance system. All relevant documentation will provide an audit trail	Immediate Implementation DELETE
13 2016/17	Main Accounting	2	M	Procedures will be introduced to review the Journal Log and supporting documentation on a regular basis to ensure completeness and accuracy	Immediate Implementation DELETE

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
13 2016/17	Main Accounting	3	S	The format of the expenditure reconciliation will be revised to enhance clarity of data entered to enable a reviewer to understand the process	Agreed Implementation Date 30/6/2017
14 2016/17	Housing Benefits	1	M	Measures will be introduced to ensure that a minimum number of days in any monthly period are Quality Assured tested to identify in any deterioration in assessment accuracy	Agreed Implementation Date 30/6/17
14 2016/17	Housing Benefits	2	M	A complete record of Quality Assured testing will be maintained to identify trends relating to potential inaccuracy of assessments	Agreed Implementation Date 30/4/17 Implemented DELETE
14 2016/17	Housing Benefits	3	M	Recovery procedures will be reviewed to identify cases where there little or no likelihood of recovery of overpayments in order to focus resource on collectable debt	Agreed Implementation Date 30/6/17
14 2016/17	Housing Benefits	4	L	Recovery procedures will be reviewed to minimise repeat use of "Reminders" after initial use in a recovery cycle	Agreed Implementation Date 30/6/17
15 2016/17	Investments	1	M	Procedures will be put in place to ensure the monthly agreement of investments placed or repaid to general ledger will take place within one month of the prior month end	Immediate Implementation DELETE
17 2016/17	Business Continuity	1	S	All line managers will endeavour to have relevant staff contact details to ensure required business continuity action in the event of a disruption / emergency out of hours	Agreed Implementation Date 31/5/17 To go to Leadership Team early June Revised to 30/6/17
17 2016/17	Business Continuity	2	M	Priority of service tasks will be established within service area continuity plans to determine effective use of resources if disruption impacts on more than one service	Agreed Implementation Date 31/5/17 To go to Leadership Team early

Report No	Report Title	Rec No	Risk	Recommendation	Implementation progress
				area	June Revised to 30/6/17
17 2016/17	Business Continuity	3	M	Contracts with hosted software will be reviewed to ensure there are specific Recovery Point and Recovery Time objectives within them which can influence continuity planning	Agreed Implementation Date 31/10/17
17 2016/17	Business Continuity	4	M	Specific continuity plans will be built into the IT migration project to manage relevant stages of the migration	Agreed Implementation Date 30/6/17
17 2016/17	Business Continuity	5	M	Timely feedback will be provided to the Leadership Team following training exercises or real life incidents that affect business continuity	Immediate Implementation DELETE

APPENDIX 4 – PEER REVIEW ACTION PLAN

Quick wins				
#	Action needed	Action owner	Latest update	RAG
1	<p>Issue a 'service assurance statement'* for senior managers to complete (suggest aim at tier 3 – Assistant Director grade for them to complete in conjunction with their direct line reports as best) to inform the 2015/16 Annual Governance Statement and 2015/16 annual audit opinion.</p> <p>* A service assurance statement is a self-assessment of the consistency and effectiveness of the control framework in the manager's service area(s) in the past year.</p>	Section 151 Officer	<p>A service assurance statement was completed by Assistant Directors to inform the 2015/16 Annual Governance Statement.</p> <p>A service assurance statement for 2016/17 Issued late Q4 to influence the 2016/17 Annual Governance Statement.</p>	Completed May 2016

<p>2</p>	<p>Review the current project risk registers to understand and assess the:</p> <ul style="list-style-type: none"> • Strength of current arrangements to manage change projects to inform the 2015/16 Annual Governance Statement and 2015/16 annual audit opinion; and • Council’s future developments to direct audit resource to support organisational change in 2016/17. 	<p>Principal Auditor and Chief Audit Executive</p>	<p>Completed as part of producing the audit plan for 2016/17.</p> <p>Corporate Risk Framework & CRR updated for 2017/18 – Audit Cttee March 2017</p> <p>Annual Audit Plan for 2017/18 based on Corporate Risk Register.</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Completed May 2016</p>
<p>3</p>	<p>Start talking to contract managers to understand and assess the nature and level of assurance the Council currently has over services delivered by third parties on its behalf.</p> <p>Include time in the 2016/17 audit plan to more fully map and assess alternative sources of assurance*.</p> <p>* Alternative sources of assurance are such internal or external activity on which internal audit can rely when forming its opinion and therefore minimise duplication of efforts.</p>	<p>Principal Auditor and Chief Audit Executive</p>	<p>The 2016/17 audit plan includes three contract management audits, focusing initially on contracts within Environmental Services.</p> <p>One contract management audit has been completed, currently at draft report stage with management for comment.</p> <p>These audits will provide an opinion on robustness of current contract management arrangements and also the extent internal audit can rely on existing contract management activity as an alternative source of assurance.</p> <p>The Annual Audit Plan for 2017/18 agreed at Audit Cttee March 2017 includes review of the Council’s key contracts. Particular focus will be on Leisure Services, IT Support Services, Waste Management and Street Scene.</p>	<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Work in progress – on track</p>

<p>4</p>	<p>Meet with senior management and other corporate actors (e.g. risk management and project owners) to gain intelligence, including on organisational change, for potential internal audit coverage for 2016/17.</p>	<p>Principal Auditor and Chief Audit Executive</p>	<p>Completed as part of producing the audit plan for 2016/17.</p> <p>This is an ongoing process. Internal Audit met again with senior management (Assistant Directors and Directors) during August and September 2016 to confirm whether the 2016/17 audit plan remained relevant and identify potential areas for audit in 2017/18.</p> <p>Annual Audit Plan for 2017/18 to Audit Cttee March 2017</p>	<p>Completed May 2016</p>
<p>5</p>	<p>Set out the 2016/17 Internal Audit plan so it:</p> <p>Demonstrates there is a balance of planned work to assess the Council’s governance, risk management and systems of internal control</p> <ul style="list-style-type: none"> • References planned audit work to the corporate objective and corporate risk to which it relates • Demonstrates whether the planned audit work is assessing business as usual activity or an emergent issue. 	<p>Chief Audit Executive</p>	<p>Completed as part of producing the audit plan for 2016/17 and 2017/18.</p>	<p>Completed May 2016</p>

6	Start tracking and reporting on all recommendations in a single document to demonstrate the current caseload and status of all recommendations [including those now implemented].	Principal Auditor	<p>A record of all recommendations made and whether they are implemented or yet to be implemented is maintained.</p> <p>All recommendations and progress have always been reported to Audit Cttee and can be evidenced from cumulative Cttee Reports</p> <p>An Excel document was introduced in March 2017 which will record all recommendations in a complete document</p>	Completed and ongoing
7	Define and communicate to auditees the criteria for classifying audit recommendations and opinions.	Chief Audit Executive	<p>Completed during August and September 2016, senior Management (Assistant Directors and Directors) were consulted on and agreed the approach to classify recommendations and opinions. These criteria are included in all reports as standard.</p> <p>The criteria were also reported to Audit Committee in September 2016.</p>	Completed September 2016
8	Obtain formal, written agreement from audit sponsors for assignment briefs and reports	Principal Auditor	<p>Completed.</p> <p>All audits have a nominated sponsor who formally agreed audit briefs and reports.</p> <p>All 2016/17 audits have followed the approach and written agreement has been received for all audit briefs and reports to date.</p>	Completed - ongoing

9	Publish counter fraud outcomes on the Council’s website in line with the Transparency Code’s requirements and more widely to act as a deterrent.	To be determined	This action remains outstanding. Roles and responsibilities for this specific action and counter fraud generally are currently under review.	behind schedule
10	Survey auditees and key/senior management for levels of satisfaction with focus and outcomes of Internal Audit and Counter Fraud work and to identify any areas for improvement. Use this feedback where relevant to inform decisions regarding future delivery.	Chief Audit Executive	<p>Informal feedback has been gathered as part of meetings held with senior management who have expressed general satisfaction and support for the approach and focus of work.</p> <p>The approach to formally surveying customer satisfaction (or not) will be determined by end June 2017.</p>	Work in progress - on track
Medium- to long-term improvements				
#	Action needed	Action owner	Latest update	RAG

11	<p>To best inform the decision regarding the future delivery model of Internal Audit and Counter Fraud services decide who is accountable and responsible for delivering Counter Fraud services i.e. is it part of a wider Internal Audit role or a separate strand of activity by another team or staff through the Council</p>	<p>Chief Audit Executive Assistant Director – Democratic Services</p>	<p>Roles and responsibilities for counter fraud are currently under review (also refer to action 13). Work for 2017/18 will include examination of current re-active and/or pro-active arrangements in relation to fraud prevention.</p>	<p>Work in progress – on track</p>
12	<p>To best inform the decision regarding the future delivery model of:</p> <ul style="list-style-type: none"> • Internal Audit: complete a risk assessment of the auditable activities to calculate a ‘minimum’ coverage level required to provide an annual opinion and therefore staff resources required • Counter Fraud: assess the Council’s fraud arrangements using the CIPFA fraud diagnostic tool. 	<p>Chief Audit Executive</p>	<p>Internal Audit - the risk assessment of all auditable activities is being developed. Once this is finalised, it will be possible to calculate the minimum resources required to deliver sufficient audit work to provide an annual audit opinion over each of the next three years.</p> <p>The Internal Audit resources needed and the cost thereof will be considered by the Assistant Director – Democratic Services and section 151 officer to inform future years budget setting.</p> <p>Level of internal audit resource is under review as one p/time officer contract ends late June 2017.</p> <p>As stated above roles and responsibilities for counter fraud are currently under review, although assessment of current arrangements using the CIPFA fraud diagnostic tool has been undertaken and will be used to inform the way forward.</p>	<p>Work in progress – on track</p>

<p>13</p>	<p>Decide on the most effective model for delivering Internal Audit and Counter Fraud services that also ensures compliance with required auditing standards and fulfils all relevant statutory duties / responsibilities – such as the appointment of a suitably qualified and experienced Chief Audit Executive.</p>	<p>Assistant Director – Democratic Services Chief Audit Executive</p>	<p>Chief Audit Executive role for 2016/17 was provided by Essex County Council through a Memorandum of Understanding. A three year agreement, which commenced 1 April 2017 is now in place with Basildon Borough Council. Roles and responsibilities for counter fraud are currently under review.</p>	<p>Work in progress – on track</p>
<p>14</p>	<p>Define the objectives of the Internal Audit and Counter Fraud service. Develop a supporting balanced scorecard of performance indicators linking to these objectives. In-house staff’s personal objectives, supported by training plans and regular performance appraisals, should cascade from the team objectives and performance indicators</p>	<p>Assistant Director – Democratic Services Chief Audit Executive</p>	<p>Now that there is clarity on the CAE role, the wider operation and structure of the Internal Audit team will be finalised including updating the team’s objectives, performance indicators, Job Descriptions etc.</p>	<p>Not yet due</p>
<p>15</p>	<p>Update Job Descriptions and Person Specifications to more clearly set out the required objectives, competences and behaviours required for a modern, effective Internal Audit and Counter Fraud staff.</p>	<p>Assistant Director – Democratic Services Chief Audit Executive</p>	<p>Refer to action 14.</p>	<p>Not yet due</p>

16	Map fully the sources of other sources of assurance available. Include time in each year’s audit plan to assess the reliability of these sources.	Chief Audit Executive	The alternative sources of assurance available influenced the 2016/17 audit plan. The 2017/18 audit planning process again considered other sources of assurance.	Completed and ongoing
17	If service delivery remains in-house, develop Internal Audit and Counter Fraud manuals.	Chief Audit Executive	Refer to action 14.	Not yet due
18	Develop fraud reporting and case handling approach assigning roles and responsibilities as necessary throughout the council.	Chief Audit Executive	Refer to action 14.	Not yet due