



Report of	Assistant Director of Policy & Corporate	Author	Hayley McGrath ☎ 508902
Title	Internal Audit Year-End Assurance Report 2018/19		
Wards affected	Not applicable		

1.0 Executive Summary

- 1.1 This report summarises the performance of Internal Audit during the 2018/19 financial year, and details the audits undertaken between 1 October 2018 and 31 March 2019. Audits completed between 01 April and 30 September 2018, were reported on 30 October 2018.
- 1.2 The audit plan consists of a mix of regularity, systems and probity audits, and assurance ratings are generated for all audits carried out. This report has been designed to show:
- Summary information concerning audits finalised in the period receiving a 'Full' or 'Substantial' assurance rating, and more detailed information on those audits receiving a 'Limited' or 'No' assurance rating.
 - The effectiveness of the Internal Audit provider in delivering the service.
- 1.3 The key messages are:
- An effective internal audit service was provided during the 2018/19 financial year.
 - The National Non-Domestic Rates (NNDR) and Creditors audits have maintained 'Full' assurance ratings.
 - The assurance ratings for the Insurance and Museum audits have increased from "Substantial" to "Full" assurance.
 - The assurance rating for the Closed-Circuit Television (CCTV) audit has decreased from "Substantial" to "Limited" assurance.
 - Thirty-three priority 2 and ten priority 3 recommendations have been made. All recommendations have been accepted by management.
 - There is good progress made in implementing and verifying outstanding recommendations.

2.0 Recommended Decision

- 2.1 To review and comment on:
- Internal audit activity for the period 1 October 2018 – 31 March 2019.
 - Performance of internal audit by reference to national best practice benchmarks.

3.0 Reason for Recommended Decision

- 3.1. The Accounts and Audit Regulations 2015 require 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'. Internal audit is a key element of the Council's corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

4.0 Alternative Options

4.1 None.

5.0 Background Information

5.1 Summary of Audits Finalised During the Period

During the period 1 October 2018 to 31 March 2019 a total of sixteen audits were completed. Two audits achieved an increase in assurance rating, one audit rating was decreased, eleven audits remained at the same level and two reviews were carried out for the first time.

Audit	Assurance Level	Change in Level	Priority of Recommendations			Agreed
			1	2	3	
412 – NNDR	Full	►	0	0	2	2
413 – Debtors	Substantial	►	0	1	0	1
414 – Corporate Debt	Substantial	►	0	1	0	1
415 – Parking Services Income / Partnership	Substantial	►	0	5	0	5
418 – Performance Management of Staff	Substantial	►	0	2	0	2
419 – Creditors	Full	►	0	0	0	0
420 – Risk Management	Substantial	►	0	4	2	6
421 – Payroll	Substantial	►	0	1	0	1
422 – Housing Rents	Substantial	►	0	1	1	2
424 – Licensing for Taxis	Substantial	N/A	0	2	2	4
427 – Planning KPI	N/A	N/A	0	1	1	2
431 – CCTV	Limited	▼	0	11	0	11
433 – General Ledger	Substantial	►	0	2	0	2
434 – Insurance	Full	▲	0	0	1	1
435 – Museums	Full	▲	0	0	1	1
436 – Leisure World	Substantial	►	0	2	0	2

5.2 Use of Audit Resources:

	Days	%
Audit days delivered April – September 2018	106.5	33
Audit days delivered October 2018 – March 2019	162.5	50
Work in progress	8	3
Days carried over to meet operational needs	46	14
	323	100%

5.2.1 The forty-six days carried over relate to planned audits that management have requested are deferred, either because the system is new (or has recently changed) and needs to be embedded or there are plans to change the service in the very near future. These are Animal / Pest Control; Garden Communities; Hire of Stadium; Private Sector Housing (Financial Assistance Policy) and IT Arcus System.

- 5.2.2 In addition the audits deferred from 2017/18 (forty-three days) have been undertaken during 2018/19: IT Cloud 365; Homelessness and Housing Advice; Housing Register and Allocations; Licensing for Taxis; and Waste Management.
- 5.2.3 The completion of three audits, currently in progress have been delayed to meet operational needs: Engagement of Contractors; Access cards; and Waste Management. The outcomes from these audits will be included in the next report to this committee.

5.3 Status of all recommendations as at 31 March 2019:

- 5.3.1 Following the completion of each audit, a report is issued to management, incorporating recommendations for improvement in controls and management's response to those recommendations.
- 5.3.2 The table below provides a breakdown of the outstanding recommendations as at the 31 March 2019.

	Outstanding Recommendations That Are:			
Date	Implemented & Verified	Awaiting Verification	Not Due	Overdue
31/03/19	136	51	17	0

- 5.3.3 Progress in following up recommendations has continued throughout the period with revised lists of recommendations provided to the Assistant Directors to enable them to confirm that they have been implemented and for Internal Audit to verify.
- 5.3.4 Priority continues to be given to those awarded a higher priority rating and/or those that have been outstanding the longest, and work continues with management to arrange for them to be verified and cleared down.
- 5.3.5 Of the 51 recommendations that are awaiting verification 23 of them relate to IT audits.
- 5.3.6 The "not due" recommendations include those relating to audits that are carried out every year. It has been agreed that they will be formally followed up as part of the next audit.

5.4 Performance of Internal Audit 2018/19 – Key Performance Indicators (KPIs):

KPI	Target	Actual
<i>Efficiency:</i>		
Percentage of annual plan completed (to at least draft report stage)	100%	100% *
Average days between exit meeting and issue of draft report	10 max	5.8
Average days between receipt of management response and issue of final report	10 max	0.5
<i>Quality:</i>		
Meets CIPFA Code of Practice – per Audit Commission	Positive	Positive
Results of Client Satisfaction Questionnaires (Score out of 10)	7.8	10.0 **
Percentage of all recommendations agreed	96%	100%

* Excluding those that have been delayed / deferred at the request of management.

** Only one received.

- 5.4.1 The key performance indicators show that the internal audit provider is successfully meeting the standards set.

5.5 Colchester Borough Homes Limited

- 5.5.1 Colchester Borough Homes Limited has its own agreed audit plan which is administered by Mazars LLP, who are also the Council's auditors. The coverage of the plan, and the scope of the audits, is decided by Colchester Borough Homes Limited and in general the audits do not affect the systems operated by the Council.
- 5.5.2 However, there are a small number of audits that, whilst they are carried out for either Colchester Borough Homes Limited or the Council, have a direct relevance and impact on the other organisation and in these circumstances it is appropriate that the results of the audit are reported to both organisations. These are known as joint audits.
- 5.5.3 One joint audit, Housing Rents, has been completed during the period. The audit retained a substantial assurance rating with two recommendations being raised - one priority 2 and one priority 3.

6.0 Strategic Plan Implications

- 6.1 The audit plan has been set with due regard to the identified key strategic risks to the Council and the objectives of the strategic plan to be vibrant, prosperous, thriving and welcoming. Therefore, the audit work ensures the effectiveness of the processes required to achieve the strategic objectives.

7.0 Risk Management Implications

- 7.1 The failure to implement recommendations may have an effect on the ability of the Council to control its risks and therefore the recommendations that are still outstanding should be incorporated into the risk management process.

8.0 Other Standard References

- 8.1 There are no direct Publicity, Financial, Consultation, Equality, Diversity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Key to Assurance Levels

Assurance Gradings

Internal Audit classifies internal audit assurance over four categories, defined as follows:

Assurance Level	Evaluation and Testing Conclusion
Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
No	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Recommendation Gradings

Internal Audit categories recommendations according to their level of priority as follows:

Priority Level	Staff Consulted
1	Major issue for the attention of senior management and the Governance and Audit Committee.
2	Important issues to be addressed by management in their areas of responsibility
3	Minor issues resolved on site with local management.

Summary of Audits with a Limited Assurance Rating:

			Priority of Recommendations			Agreed
			1	2	3	
431 – CCTV	Days	Assurance				
	7	Limited	0	11	0	11

Scope of Audit: This review examined the following areas:

- Policies and Procedures;
- Use of CCTV;
- Selecting and Siting of Cameras;
- Training;
- Security of Images;
- Monitoring of Compliance with the Code of Practice; and
- Reporting

Key Outcomes: The recommendations resulting from this review are summarised below. Each of the recommendation have been graded as priority 2:

- A new Code of Practice (the Code) should be developed to cover the CCTV System and this should be signed by all relevant partners e.g. the Council and the Police. The Code should be developed in-line with legal and regulatory requirements.
- The CCTV procedures should be updated to ensure that they reflect current practice. Once completed staff training should be undertaken, following which staff should sign to evidence that they have read, understood and agree to work in accordance with the procedures. Regular monitoring against the required processes should be completed and this should be fed back at regular 1-2-1 meetings / performance reviews.
- Access to the portal with Videcom, to report CCTV faults, should be given to all operators, together with appropriate training on how to raise jobs.
- The new contract should include performance metrics; advice on the contents of the contract should be obtained from other organisations within the Essex CCTV Group. Regular feedback on performance should be obtained with regular contract meetings held, especially following the initial commencement of the contract.
- A meeting should be set up with the Planning Department to ensure that there is an established relationship between the Amphora CCTV Team and the Major Development Team to help ensure that S106 monies are obtained in relation to CCTV where appropriate. The Major Development Team should be involved as part of the process when determining the installation of new equipment / re-tendering of the maintenance contract.
- New Lay Visitors should be recruited and these should be replaced after an agreed period of time.
- Staff should be reminded of the need to fully complete the CCTV Monitoring Centre Shift Occurrence Log. Management review of the Occurrence Logs should be completed on a monthly basis and additional training offered and/or appropriate action taken where staff continually fail to complete the forms fully.
- Staff should be reminded of the need to complete CCTV Camera Patrols at the beginning of each shift to confirm that they are working as expected. In addition, a management review of the Occurrence Logs should be completed on a monthly basis to verify that camera patrols have been completed with appropriate action taken where staff continually fail to complete the required camera patrol.

- Management should re-introduce the weekly statistics for CCTV. In addition members of the Essex CCTV Group should be contacted for advice on Key Performance Indicators (KPIs) that are recorded and these should be monitored going forward, following installation of new equipment / re-tender of the maintenance contract.
- Management should establish links with the partner organisations and ensure that where appropriate they attend relevant meetings.
- The Annual Report as outlined in the Code should be produced and made available to the public.