

Maldon District Council
INTERNAL AUDIT PROGRESS REPORT
July 2018



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INTRODUCTION

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2017/18 internal audit plan which was approved by this Committee in March 2017. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

Internal Audit Methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in section 2 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment. Our definitions are set out on page 4.

Work outside of the Internal Audit Plan

We assisted with the provision of a Risk Management briefing to the Audit Committee in December 2017.

We will also be performing the Council's Annual Fraud Risk Assessment.

Audits Completed Since Last Report

See page 5 for details of the audits completed since the previous Audit Committee.

Overview of 2017/18 work to date

See pages 6 and 7 for a summary of the progress of 2017/18 planned work.

DEFINITIONS OF ASSURANCE

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

PROGRESS SINCE MARCH 2018 AUDIT COMMITTEE

Area	No. of days	Manager Responsible	Assurance - System Design	Assurance - Operating Effectiveness	No. of High priority recommendations	No. of Medium priority recommendations	No. of Low priority recommendations	Ref to Executive Summary
Attendance management	10	Dawn Moyse	Substantial	Moderate		1	1	Appendix A
Business resilience	15	Karen Bomford	Moderate	Moderate		4	2	Appendix B
Elections improvement plan	8	Melissa Kelly	Limited	Limited		3		Appendix C

PROGRESS AGAINST 2017/18 PLAN

Area	2017/18 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Core Audits					
Main Financial Systems	40	Final report	Complete	Moderate	Moderate
Budget Setting (High Level Review)	9	Final report	Complete	Substantial	Moderate
Policy Review	13	Deferred	Deferred at the request of management Resources to be used to deliver Fraud Risk Assessment		
Counter Fraud	10	Q4	Fraud risk assessment Initiation meeting with Director of Resources held 17 April. Work currently in progress.		
	72				
Other Key Areas					
Economic Development / Business Rates growth	15	Final report	Complete	Moderate	Moderate
Attendance Management	10	Final report	Complete	Substantial	Moderate
Business Resilience	15	Final report	Complete		
Contract Procurement Management and Purchasing	25	Final report	Complete	Moderate	Moderate
Partnership Working	15	Final report	Complete	Moderate	Moderate
Elections Improvement Plan (High level Review)	8	Final report	Complete	Limited	Limited
Information Management (Advisory review)	30	Final report	Complete	N/A	N/A
	118				

PROGRESS AGAINST 2017/18 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
IT Audit					
Disaster Recovery and Business Continuity	15	Final report	Complete	Moderate	Moderate
	15				
Planning, Reporting, Follow-up and Contingency					
Planning / liaison / management	20	Complete for 2017/18			
Recommendation follow up	10	For reporting in September 2017 and March 2018	Reported in September 2017 Reported in March 2018		
Contingency	5	Utilised	Risk Management briefing to the Audit Committee December 2017		
Total	35				

Appendix A - Attendance Management

CLIENT STRATEGIC OBJECTIVE		SUMMARY OF RECOMMENDATIONS (SEE APPENDIX IV FOR DEFINITIONS)	
Risk	Delivering good quality, cost effective and valued services	High	
LEVEL OF ASSURANCE (SEE APPENDIX IV FOR DEFINITIONS)		Medium	1
Design	There is a sound system of internal control designed to achieve system objectives.	Low	1
Effectiveness	Evidence of non compliance with some controls, that may put some of the system objectives at risk.	Total number of recommendations: 2	

OVERVIEW

Background

The Council recognises the need to treat employees fairly, consistently and compassionately, and that there are a number of factors which impact on employee attendance, therefore the policy seeks to ensure appropriate support for staff, whilst at the same time maintaining effective service delivery.

The Council monitors the days lost due to sickness and set a challenging target of 8 days per Full Time Equivalent (FTE) for 2017/18 (this target is lower than the public sector average). The half year position (as reported to the Overview & Scrutiny Committee and the Finance & Corporate Services Committee in November 2017) identified 5.22 days sickness per FTE, of which 3.12 days related to long term sickness absence. The level of sickness absence is lower than for the equivalent periods in 2015/16 and 2016/17, and the Council continues to implement measures to further improve attendance. The Council is looking into the possibility of First Day Reporting (FDR) with their Occupational Health provider. Appendix I provides detail from other Councils that we consulted about whether they have FDR in place - only one has used it and it was not successful in reducing sickness levels. The purpose of our review was to consider the design and effectiveness of the controls around attendance management to highlight any areas where the controls might be improved.

Areas of good practice identified were:

- Regular in-depth reporting of sickness absence levels to both the Finance and Corporate Services Committee and the Corporate Leadership Team
- An up to date Managing Attendance Policy with associated Toolkits is in place to ensure consistency and awareness across the Council with roles and responsibilities clearly defined, appropriate thresholds for formal meetings recorded and appropriate and relevant guidance provided to staff
- Regular monitoring of required controls as per the Policy with HR having a good awareness of outstanding items and using this to chase staff to ensure completion of forms and recording meetings
- There are a number of wellbeing initiatives within the Council including recently winning an award for the Active Essex Workplace of the Year.

Appendix A - Attendance Management

OVERVIEW

However, we identified the following areas for improvement:

- The levels of compliance with the Managing Attendance Policy varies across the Council with services taking too long to complete self certification, Return To Work meetings and formal meetings (Medium - Finding 1)
- The Council is not yet signed up to the Workplace Wellbeing Charter which acts as a form of best practice (Low - Finding 2)

Conclusion

We found that whilst the design of the Council's controls in this area were strong, improvements could be made to the operational effectiveness of the controls in place with greater focus on ensuring compliance with operational procedures across the Council. This has led us to a final assessment of substantial assurance over the control design and moderate assurance over the control effectiveness.

LOOKING FORWARD: SUPPORTING THE COUNCIL'S JOURNEY FROM MODERATE TO SUBSTANTIAL ASSURANCE

Effectiveness	Moderate	Substantial	<p>Add controls to implement the following recommendations:</p> <ul style="list-style-type: none"> • Remind staff of the importance of completing key policy controls in relation to staff sickness including reporting of compliance levels to Committees and CLT to act as a deterrent for not completing them in a timely manner • The benefits of adopting the Workplace Wellbeing Charter should be explored.
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Appendix B - Business Resilience

CLIENT STRATEGIC RISK			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)	
Risk	Inability to maintain key services during incidents (business resilience)		High	
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Medium	4
Design	Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Low	2
Effectiveness	Moderate	A small number of exceptions found in testing of the procedures and controls.	Total number of recommendations: 6	

OVERVIEW

Background

The purpose of this review was to assess the adequacy and effectiveness of the Council's arrangements for business resilience and the plans to continue provision of key services in the event of unforeseen circumstances that cause disruption.

The Council performs many essential and statutory functions. Having effective business resilience enables the Council to maintain those functions in the event that key staff or other resources are not available and normal operations are affected by unplanned events. Planning and prioritisation of response activities, identification of key staff and substitutes, identification of resources and clear procedures all support continued service provision in the event of unforeseen circumstances causing disruption.

The Council is constantly evolving in response to changing resources and staffing, new technology, new legislation and changing demand for services. It therefore follows that business resilience arrangements must keep pace with other changes to maintain effective service provision. To enhance resilience the Council has worked with Chelmsford City Council since 2005 for the provision of Emergency Planning functions, including Business Continuity and Disaster Recovery arrangements and the Council partly funds an Emergency Planning Officer employed by Chelmsford City Council. These arrangements provide shared resources, expertise and cross Council incident support, through an increased pool of trained staff.

An audit of the Council's Business Continuity and Disaster Recovery arrangements was undertaken as part of the 2015/16 Internal Audit Plan. This assessed the adequacy of arrangements for determining the Council's response to Business Continuity and Disaster Recovery events and this has been followed up during 2017/18. The 2017/18 audit of Business Resilience will review the extent of reliance on key resources, key staff and the effectiveness of cover arrangements for those staff.

Appendix B - Business Resilience

OVERVIEW

Good practice:

Across the review a number of good practice points were identified. These points demonstrate the commitment to strong internal controls and have helped inform the final audit opinion. Specifically:

- A Business Continuity Policy is in place that sufficiently addresses business continuity requirements across the Council
- The Council has identified the risks that could affect the key resources and how the risks can be managed to within agreed tolerances
- The Council has procedure notes that support key officers or their substitutes to carry out effective operations
- The Council has tested its disaster response arrangements using mock scenarios.

Areas for improvement:

However, certain areas for improvement have been identified and are highlighted in more detail in this report. In summary these are:

- Some of the Council's Business Continuity Plans were incomplete or inaccurate, including some that did not clearly identify the plan approver, plan manager and plan owner, increasing the risk that the Council might not be able to provide its critical services in the event of an incident (Finding 1)
- Some staff were not made aware of the Council's Business Continuity arrangements, especially who the responsible officers are (Finding 2)
- An official training programme for staff involved with Business Continuity managements could not be evidenced (Finding 3)
- Appropriate substitute officers were not nominated or lacked essential training (Finding 4)
- The Business Continuity Management Strategy has yet to be approved by the Corporate Leadership team (Finding 5)
- The Council's Business Continuity plans were not sorted into high, medium or low risk plans which is a requirement of the Business Continuity Policy (Finding 6).

Appendix B - Business Resilience

OVERVIEW

Conclusion:

In conclusion, the audit has evidenced that there is a robust system of internal controls in place relating to Business Continuity and Resilience arrangements across the different areas audited. However, a number of areas of improvement have been identified, with four medium and two low level findings being raised. Consequently, this report concludes moderate assurance over both the design and operational effectiveness of the internal controls in place.

We would like to thank all those from Maldon District Council that contributed towards our work and for their assistance throughout the audit process.

LOOKING FORWARD: SUPPORTING THE COUNCIL'S JOURNEY FROM MODERATE TO SUBSTANTIAL ASSURANCE

Design	Moderate	Substantial	<ul style="list-style-type: none"> Assign key and substitute officers to all service functions Implement a training programme for staff involved in Business Resilience operations
Effectiveness	Moderate	Substantial	<ul style="list-style-type: none"> Revise and update existing Business Continuity Plans to include all relevant information Update the Business Continuity Plan testing schedule and nominated substitute spreadsheet Formally approve the Business Continuity management strategy

Appendix C - Elections Improvement Plan

CLIENT STRATEGIC RISKS			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX I FOR DEFINITIONS)	
Risk	Delivering good quality, cost effective and valued services		High	
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Medium	3
Design	Limited	The elections improvement plan does not clearly define business critical activities. There is no formal monitoring of implementation	Low	
Effectiveness	Limited	The plan has not been implemented in a timely manner	Total number of recommendations: 3	

OVERVIEW

Background

The purpose of our review was to perform a high level assessment of the Council's delivery of the Elections Improvement Plan to provide improved delivery of elections.

The Council's Elections function reports to the Legal and Democratic Services Manager and sits within the Resources Directorate. The Returning Officer responsible for delivery of elections is Fiona Marshall (Chief Executive). The function is responsible for ensuring the preparation, production and publication of the Electoral Register and for the smooth running of elections for:

- Parish Councillors
- District Councillors
- County Councillors
- Members of Parliament
- The Police and Crime Commissioner
- Referendums (such as for the United Kingdom European Union membership in June 2016 and the Burnham-on-Crouch Neighbourhood Plan in July 2017)
- Additional elections as representative vacancies arise
- Formerly the UK Members of the European Parliament

In July 2015 the Electoral Commission conducted an assessment of the performance of Returning Officers at the combined May 2015 elections. The Council performed a further review of the processes and procedures adopted for elections and identified improvements that should be made relating to system documentation, project planning, training and service resilience. The results of the review were reported to the Overview and Scrutiny Committee.

Appendix C - Elections Improvement Plan

OVERVIEW

Key Findings:

- The elections improvement plan that has been prepared has not yet been fully delivered. 38% of the plan has not yet been sufficiently delivered or evidenced at the time of audit
- Progress with implementing the elections improvement plan has not been formally monitored by either the leadership team
- Election service business critical activities had not been clearly outlined or defined in a set of procedure notes at the time of audit.

Conclusion:

Our audit work has confirmed that the elections improvement plan has not been actively monitored and implementation of the plan has not been prioritised. At the time of audit it was also evident that insufficient active work had been done to deliver the actions agreed to be implemented, to provide the improvements highlighted in the plan.

In addition there were significant delays in the provision of supporting information to the audit team that required much chasing by both internal audit and senior officers.

As such, we can only offer limited assurance that the key risks have been addressed.

LOOKING FORWARD: SUPPORTING THE COUNCIL'S JOURNEY FROM LIMITED TO SUBSTANTIAL ASSURANCE

Design	Limited	Substantial	<ul style="list-style-type: none"> • Ensure that there are detailed briefing notes where needed in the elections planning documentation • Ensure that the elections improvement plan is being regularly monitored by the leadership team • Ensure that business critical activities are defined in the procedure notes
Effectiveness	Limited	Substantial	<ul style="list-style-type: none"> • Ensure that the elections improvement plan is being actively monitored and that documents relating to the plan are being produced and retained. • Ensure that any outstanding areas of the plan are completed.

The proposal contained in this document is made by BDO LLP ("BDO") and is in all respects subject to the negotiation, agreement and signing of a specific contract. It contains information that is commercially sensitive to BDO, which is being disclosed to you in confidence and is not to be disclosed to any third party without the written consent of BDO. Client names and statistics quoted in this proposal include clients of BDO and BDO International.

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