

Maldon District Council

INTERNAL AUDIT PROGRESS REPORT

January 2017



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INTRODUCTION

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2016/17 internal audit plan which was approved by this Committee in March 2016. 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.

Work outside of the Internal Audit Plan

No additional work has taken place.

Overview of 2016/17 work to date

See page 4 for details of the audits completed since the previous Audit Committee.

PROGRESS SINCE DECEMBER 2016 AUDIT COMMITTEE

Area	No. of days	Head of Service 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
Flooding	8	Ian Haines	Moderate	Moderate		6		Appendix II
Housing Benefit	6	Sue Green	Substantial	Substantial				Appendix III
Council Tax and NNDR	7	Sue Green	Substantial	Moderate		2		Appendix IV

PROGRESS AGAINST 2016/17 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Helping Communities to be Safe, Active and Healthy					
Flooding	8	Q3	Final	Moderate	Moderate
	8				
Protecting and Shaping the District					
Cyber Crime	12	Q2	Final	Moderate	Moderate
Data Protection	14	Q4	ToR drafted and discussed		
Information Management (including PCI compliance review)	12	Q4	Met with officers to plan		
	38				

PROGRESS AGAINST 2016/17 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Creating Opportunities for Economic Growth and Prosperity					
Channel Shift and Customer Strategy	16	Q3	ToR drafted and discussed		
Income Generation	24	Q1	Final	N/A	N/A
	40				

PROGRESS AGAINST 2016/17 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Delivering Good Quality, Cost Effective and Valued Services					
Financial Systems (including Main Accounting and Payroll)	12	Q4	ToR drafted and issued		
Council Tax and NNDR high level review	7	Q3	Final	Substantial	Moderate
Housing and Council Tax Benefits high level review	6	Q3	Final	Substantial	Substantial
Income and Debtors high level review	8	Q4	Work in progress		
Payments and Creditors high level review	8	Q4	Work in progress		
Investments and Investment Income and Cash and Bank high level review	7	Q4	ToR drafted and discussed		
Planning Services	15	Q3	Final	Moderate	Moderate
Workforce Management	12	Q4			
Inventory and Stock	5	Q4	ToR drafted and discussed		
	80				

PROGRESS AGAINST 2016/17 PLAN

Area	2015/16 days	Date work to be undertaken	Progress Update	Assurance - System Design	Assurance - Operating Effectiveness
Cross Cutting Corporate Review					
Committee Structure	20	Q2	Draft report issued		
	20				
Planning, Reporting, Follow-up and Contingency					
Planning / liaison / management	20	Ongoing			
Recommendation follow up	10	Reported in December 2016			
Advisory Role	9	Ongoing			
Contingency	5				
Total	44				

APPENDIX I - DEFINITIONS

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.

APPENDIX II - FLOODING RESPONSIBILITIES




MALDON DISTRICT COUNCIL CORPORATE GOAL

Protecting and Shaping the District

LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design	Moderate	Generally sound system of internal controls, but with some exceptions
Effectiveness	Moderate	Evidence of non compliance in some controls, that may put some system objectives at risk

SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High	 0
Medium	 6
Low	 0

Total number of recommendations:

OVERVIEW: STRATEGIC OWNERSHIP OF FLOODING RESPONSIBILITIES

Strategic Flood Risk Management is addressed through partnership working with a number of national, regional and local organisations. Local Authorities work closely with Lead Local Flood Authorities and other Risk Management Authorities to perform flood risk management work that provides a reflection of the local knowledge around land drainage and flooding risks in the District.

Essex County Council (ECC) is the Lead Local Flood Authority covering the Maldon District and as such commissioned a Surface Water Management Plan in conjunction with Maldon District Council (MDC) which outlines the preferred surface water management strategy for the District. This strategy was prepared in partnership with key stakeholders. MDC supports ECC by maintaining ditches and balancing ponds on Council owned land and by acting as a Category One Responder to local and national emergencies (providing temporary accommodation in emergencies). MDC also undertake initial investigation of potential flood risks and notify ECC accordingly.

From our review, we noted the following areas of good practice:

- The Environmental Health and Planning teams work collaboratively to ensure appropriate consideration of flood risks and officers are perceived to have a good understanding of risks, respective roles and responsibilities
- The Maldon District has benefited from flood alleviation works as a direct result of the Council's proactive engagement with ECC and the Council engages with other relevant bodies through the Essex Flood Partnership Board and Land Drainage Working Partnership
- Appropriate organisations are consulted on flood related risks arising from Planning applications and the consultee response is notified to the Planning Committees which give due consideration to flood risks when determining planning applications.

APPENDIX II - FLOODING RESPONSIBILITIES

OVERVIEW: STRATEGIC OWNERSHIP OF FLOODING RESPONSIBILITIES

However, we also noted the following areas of improvement:

- Flood risks and respective roles and responsibilities are not consistently well understood outside the officers and Members directly involved in flood related matters. The provision of additional information to interested stakeholders would aid understanding and improve the ability to manage customer expectations (Finding 1, Medium)
- Flood related matters are considered across several committees and the Committee and officer structure are not aligned (Finding 2, Medium)
- MDC has sought, but not received, progress updates from responsible bodies on implementation of actions arising from flood investigations (Finding 3, Medium)
- Formal mechanisms are not in place to ensure ongoing maintenance for all Sustainable Urban Drainage Systems (SUDS) and the Community Infrastructure Levy has not yet been adopted by the Council (Finding 4, Medium)
- Planning Inspector decisions have impacted on flood risks within the District but this has not been formally assessed (Finding 5, Medium)
- An action plan should be prepared which identifies flood risks, incidents and actions, responsibility and progress (Finding 6, Medium)

Conclusion

We have issued 6 medium priority findings, and have issued an opinion of moderate for both the design and effectiveness of the Strategic Ownership of Flooding Responsibilities. This reflects that the Council does work with other relevant authorities to improve flood mitigation within the District, but that there are areas of improvement to be developed and embedded, such as the clarification of progress of flood mitigation activity and formal identification and progression of matters affecting effectiveness of flood mitigation.

APPENDIX III - HOUSING BENEFIT

MALDON DISTRICT COUNCIL GOAL			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)	
Delivering good quality cost effective and valued services			High	0
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Medium	0
Design	Substantial	Sound system of internal control to achieve system objectives	Low	0
Effectiveness	Substantial	Controls are consistently applied	Total number of recommendations: 0	

OVERVIEW

Background

Universal Credit (UC) provides a single system of means tested support and replaces Job Seekers Allowance, Employment Support Allowance, Income Support, Housing Benefits, Child Tax Credit and Working Tax Credit. It was introduced in 2013 across a small number of sites and is in the process of being rolled out across the country with the expectation of full migration occurring in 2020 / 2021. From April 2013, Local Councils introduced local schemes to support working age people on a low income to pay their Council Tax, known as Local Council Tax Support. The purpose of this review was to conduct a high level review focussing on the effective implementation of Universal Credit, the risk of duplicate payments, the payment of discretionary funds and an assessment of the Local Council Tax Support Scheme framework. As this was at a high level, the controls were assessed through interview, walkthroughs and review of documents, with no detailed testing.

From our review, we noted the following areas of good practice:

- The Council is engaging with the DWP for the migration to Universal Credit and staff review Universal Credit notifications from the DWP and check claims to the DWP to ensure no duplication. Full implementation for new cases is not scheduled to start until September 2018
- An approved policy determines the circumstances in which Discretionary Housing Payments will be made, application outcomes are recorded, and awards are monitored against budgets
- The Local Council Tax Support Scheme was adopted in conjunction with other Essex Authorities and is supported by modelling of impact on customers and budgets, an Equality Impact Assessment and customer consultation.

Conclusion

We identified no areas of concern during this high level review and have therefore concluded an opinion of substantial for both the design and effectiveness of the controls around Housing Benefits and Council tax Support.

APPENDIX IV - COUNCIL TAX AND NNDR

MALDON DISTRICT COUNCIL GOAL			SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)	
Delivering good quality, cost effective and valued services			High	
LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)			Medium	2
Design	Substantial	Sound system of internal control to achieve system objectives	Low	
Effectiveness	Moderate	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 purpose of this review was to conduct a high level review and analysis of data and information relating to Council Tax and NNDR, including arrangements for business rates pooling.

Good Practice

- Pooling arrangements for Business Rates is being monitored and shows a positive return in respect of reduced levy fees having to be paid
- Rateable Values are being updated regularly in preparation for the implementation of the 2017 full revaluation
- User access to the system is monitored monthly with processes in place for Starters, Leavers and Movers
- New system releases and patches are tested and implemented to ensure full compliance with Government requirements.

Key Findings

- Not all in-year reconciliations are undertaken on a regular basis or reviewed by another Officer (Finding 1, Medium)
- The Financial Services Delegation Arrangements document was not up to date at the time of the audit (Finding 2, Medium)

Conclusion

Overall we have raised two recommendations relating to the Council's management of Council Tax and NNDR. Our high level review included walkthroughs, interviews and review of documentation, but no substantive testing. We found that whilst there were no areas of weakness identified in the design of controls and there are no areas of significant concern, improvements could be made to the operational effectiveness of the controls in place, leading to a final assessment of substantial assurance over the control design and moderate assurance over the control effectiveness.

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