Audit Committee
25 July 2016

Internal Audit Progress Report – July 2016

1   Purpose

1.1   To receive the Internal Audit Progress Report of activity undertaken since March 2016.

2   Recommendations

2.1   The committee is recommended to note the progress report.

2.2   The committee is recommended to note the "Update on Financial Systems and Controls Action Plan" at Appendix 3.

3   Supporting Information

3.1   This report provides an update on the progress made against the 2016/17 Assurance Plan. Appendix A includes information on:

- Summary of internal audit reviews completed and in progress
- Overdue recommendations and follow up work
- Revised internal audit classification definitions for the financial year 2016/17
- Overview of Commercial AVDC and impact on the internal audit resources

3.2   Attached to the Progress Report at Appendix 3 is an update on the status of the financial systems action plan reported to the March meeting.

3.3   The Committee requested that all internal audit reports are presented in full. Those issued since the previous meeting are included in Appendix 4.

4.   Reasons for Recommendations

4.1   Ensuring a proper and effective flow of information to Audit Committee Members enables them to perform their role effectively and is an essential element of the corporate governance arrangements at the Council.

5.   Resource Implications

5.1   There are no resource implications to report.

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Background papers: none

Internal Audit

Progress Report

July 2016

Contents

1. Activity and progress

The annual internal audit plan was approved by audit committee in March 2016. A summary of the planned work is included in Appendix 1. We will continue to monitor progress against the plan during the year and advise the Audit Committee for any changes.

Final reports issued since the previous Committee meeting

Name of review	Conclusion*	Date of final report	No of recommendations made*			
			Critical	High	Medium	Low
2015/16 Reviews:						
Council Tax and Business Rates	Reasonable	May 16	-	1	2	1
General Ledger and Budgetary Control	Limited	May 16	-	2	2	-
Housing Benefits	*Reasonable*	*Issued in draft 12/7*	-	-	*2*	*1*
Data Protection – Mobile Devices	Reasonable	June 16	-	-	3	3
2016/17 Reviews:						
Vale Lottery	Low risk	July 16	-	-	-	1

* The basis for classifying internal audit findings and reports has been updated for 2016/17. See details in Appendix 1.

The findings from these reviews are set out in our detailed reports (Appendix 4) and summarised below:

Council Tax and Business Rates
Overall we found the controls and processes to be operating effectively to provide reasonable assurance over billing and recovery. However, there are a number of areas where action is needed to improve the integrity of financial information, control and monitoring processes. The following weaknesses were identified:

- **Reconciliation of iWorld and T1 (H)** – the reconciliation between iWorld (revenue) and T1 (cash) has not been performed regularly during the year. At the time of review the reconciliations are several months behind for both Council Tax and Business Rates. Suspense accounts held in T1 and iWorld contain significant balances that should be posted to the relevant council tax or business rate accounts.

At the time of preparing this report the reconciliations have been brought up to date for both Council Tax and Business Rates to the end of March 2016. Work is ongoing to review the overall process to enable reconciliations to be completed timely and accurately under the Commercial ADVC Finance Review.

Refunds and write offs (M) - The processes for council tax and business rates refunds and write offs should be clearly documented and communicated, including responsibilities for review and authorisation. Approval limits should be set in line with corporate policy, and controls established to ensure that these are adhered to. It is recognised that this is part of a wider process to review the Council's policies and procedures for debt recovery. This should be addressed as part of the *Commercial AVDC Review.*

- **Management information (M)** - A suite of performance metrics should be agreed to enable effective monitoring of revenue collection and recovery and flag early signs that annual budgets may be at risk. This should include target annual and monthly profiled collection rates for both council tax and business rates.

- **Valuation Office Agency reconciliation (L) -** For both domestic and commercial properties a weekly reconciliation to the Valuation Office Agency (VOA) schedules is performed but there is no process to monitor properties with a temporary or no valuation status. A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a "temporary" or "no valuation" status.

General Ledger and Budgetary Control

This review raised 2 high priority and 1 medium priority recommendations over the management and control of the general ledger and one medium recommendation for budgetary control.

- **Reconciliation of key financial systems to the general ledger (H)** - The Council has several key financial systems that feed into the T1 General Ledger, including iWorld (Payroll) and iTrent (Housing Benefits, Council Tax and Business Rates). During the year to March 2016 there has been inconsistent, incomplete or no reconciliation of these financial systems to the General Ledger.

  At the time of preparing this report, a piece of work is underway to map the interrelationships between the General Ledger and all other financial systems and roles and responsibilities for reconciliations within the finance team and service areas will be clarified. Standard procedures will be documented and implemented.

- **Suspense accounts (H)** – During 2015/16 the review and clearance of suspense accounts has been done sporadically, which has resulted in large amounts sitting on the suspense accounts from one period to the next.

  The procedures and responsibilities for clearing suspense accounts are to be agreed and documented. Suspense accounts will be cleared daily and month-end procedures will include review of the accounts to ensure balances are not sitting from one period to the next.

  At the time of preparing this report, work is ongoing to clear the backlog of old items in suspense relating to the implementation of T1.

- **Journal processing (M)** – Currently there is no way of differentiating between what is regarded as a recurring accounting journal and adhoc journals and there are no routine monitoring controls to review journals.

  Procedures will be established for the use of different journal types that differentiate between recurring and non-recurring journals and virements. Journals between sub-ledgers are an area of risk as they could be used to manipulate the accounts or conceal fraudulent transactions. In order to balance resource input with risk, greater focus will be placed on journal transfers into/out of the sub ledgers. For these consideration will be given to de-minimis values and appropriate authority levels to approve prior to posting.

- **Budget manager training (M) –** There is a need for training for Budget Managers to bring consistency across the authority and clarity around roles and responsibilities. We note that plans are already being developed to address this as part of the Commercial AVDC Financial Systems and Processes Review.

Housing Benefits (draft report)

At the time of preparing this update, the Housing Benefits report has been issued to management in draft. A summary of findings are provided below and it is anticipated that by the time of the meeting the report will be finalised.

Overall we found the controls and processes over housing benefits to be operating effectively to provide reasonable assurance over the accuracy and efficiency of claims handling. There are a number of areas where action is needed to improve the integrity of financial information and performance monitoring processes. There is also a need to consider the Council's level of overpayment and the approach to recovery.

Our key findings are summarised as follows:

- **Reconciliation of payments between iWorld and Technology One (M)** - There is a form of reconciliation in place whereby the Housing Benefits team update a manual spreadsheet with the totals of each weekly payment run once the payments have been dispersed by BACS. This spreadsheet is then forwarded to a Finance Officer who checks the finance system to ensure that the ledger is updated with the correct figure. Because this reconciliation is performed only from a manual spreadsheet rather than iWorld itself, the integrity of the reconciliation process is diminished and there is a risk of inaccurate financial information

- **Housing benefit overpayment recovery (M)** – Housing benefit overpayment has risen significantly in the last 2 years and currently stands at £6.3million (as at end June 2016). This increase is consistent with the national picture and can in part be attributed to the introduction of better and quicker real time data matching.

  Whilst recovery action is taking place, either through reduced ongoing payments or separate debt recovery, the current levels of recovery are not keeping up with new debt that is identified. The Council's strategy for managing this type of debt should be reviewed. If there is potential money which is recoverable that is not chased the Council could miss out on income, but there is likely to be additional resource incurred in attempting to recover outstanding debts so the return on investment must be considered.

- **Quality checks - monitoring performance (L)** – The processes for quality checking housing benefit claims are set out in the "'Revenues and Benefits Service – Checking Strategy". This includes a target level of 5% check of the overall claims processed. We identified areas where measures could be improved to enable better monitoring of performance against the strategy including monitoring the total level of checks and setting targets for the accuracy of processing.

Data Protection – Mobile Devices

This review was performed by external data security specialist. The focus was on assessing the risks associated with the use of personal mobile devices to access Council information and applications together with a detailed review of mobile device policy and management practices.

The Council can take reasonable assurance as to the risks surrounding data loss and security incidence as a result of mobile working. Basic precautions have been taken across all key areas to ensure that the risks of data loss is mitigated. However, the Council's controls are heavily dependent upon the end users' compliance with existing policies and taking basic precautions when conducting council business on either a 'corporate' or personal mobile device.

AVDC's information security risks associated with mobile devices are mostly centred around access to online services and information on personal devices outside of AVDC's control. A degree of trust is placed in personal devices and the way staff use them; such as allowing users to access emails on personal devices without a PIN or password, and allowing information to be printed at home. AVDC does issue mobile devices to staff, but in many respects an equal level of trust is placed in personal devices and AVDC issued devices. Recommendations were raised concerning:

- Remote access to email
- Saving email attachments
- Use of data classification and transmission of sensitive information by email
- Hardware asset audits
- Regular training updates
- Review and update of policies

An overriding recommendation is to develop and maintain awareness of the importance of information security, and the precautions that users are expected to maintain when mobile working.

Vale Lottery

The review focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act:

- Governance and Legislation
- Financial Transparency
- Day to Day Operation
- Performance Management

Overall, we found the processes and controls operating over the Vale Lottery to be adequate to ensure that it is operating effectively, with transparency and in compliance with the Gambling Act. At this time, the volume and value of transactions is still relatively small. If the

lottery were to grow considerably, the adequacy of existing arrangements will need to be reviewed again and consideration given to level of resource available to manage the day to day operations.

We raised one low risk recommendation around ensuring the ongoing management of risk by creating a central risk register where risks can be routinely reviewed and updated.

Internal audit plan work in progress

As at the date of preparing this report, the following reviews are in progress:

Name of review	Update on progress
Debt Recovery	Work has commenced to identify the level of debt for each revenue stream, the ageing profile and establish the existing recovery processes. Following this initial exercise the scope of the review will be developed.
Information Governance Effectiveness	This review will assess the Council's information governance effectiveness using a benchmark approach centred on 23 'killer questions' across 5 key domains; Culture, Management, People, Process and Technology. Work will be performed by external specialists following on from the Mobile Devices review.
Contracts	Internal audit has contributed to the Commercial AVDC Procurement and Contracts Review by performing data analytics of T1 contract/supplier spend and risk assessing the contract portfolio.

2. Overdue recommendations and follow up work

We actively track and monitor the recommendations that we have raised from our Internal Audit Reviews to ensure that the control weaknesses identified have been satisfactorily addressed. We only report to the Audit Committee when more than 3 months has passed since the original agreed target date.

Financial systems – Accounts Payable & Accounts Receivable

At the March 2016 meeting we presented the Accounts Payable and Receivable report which highlighted a number of issues relating to the financial controls and processes and the way these are operating within the T1 financial system. Whilst the scope of this review was restricted to accounts payable and receivable, some of the issues identified were relevant to the overall financial control environment.

Since then Management have taken prompt action to address the issues identified. In some areas progress is ongoing and is being monitored by the Commercial AVDC Financial Systems & Processes Review Board. The action plan and status update is attached as Appendix 3.

Overdue recommendations

Housing Allocations (January 2016) – Medium priority recommendation to be completed by 31 March 2016

The Bucks Homes Choice Partnership Policy was adopted in May 2014 and is the common mechanism for allocating housing in Bucks. The Policy states that "the Partnership will monitor the outcomes of lettings through Bucks Home Choice to assess whether it is meeting its aims". It goes on to say that the reviews will be carried out annually. Since its adoption the Partnership has not yet carried out a formal review.

Management update - A brief review of the Allocation scheme's objectives was completed recently and will be finalised and published before the end of the month. The work was amalgamated with requirements to publish annual lettings data and was therefore held up briefly. The revised target date is the end of July 2016.

Taxi Licensing (October 2015) – Medium priority recommendation to be completed by 31 March 2016

There is no policy on document retention governing the licensing application process so there is a risk that personal data is being held for longer than appropriate. Management agreed to adopt a document retention policy that incorporates the whole licensing function.

Management update – The action is in progress. We are currently working with Arcus Global on the set-up of a new document management storage solution for EH&L into which the data retention principles will be built prior to data migration from our existing system to the new Salesforce system. The data retention policy is currently in draft. The data will be migrated into the new system sometime between July and September with full implementation complete by the end of December 2016.

3. Internal audit classification definitions

To enhance the transparency of our internal audit work and our reporting methodology we have revised the basis for classifying internal audit findings and overall reports. Each individual finding is allocated a "risk rating". The overall report classification is determined by allocating points to each of the individual findings included in the report, providing an overall level of risk. This enables the risk profile to be compared across areas under review and progress to be monitored from year to year.

The definitions of the individual finding risk ratings and overall reporting classification are set out in Appendix 1. These will apply for all reviews in 2016/17.

4. Commercial AVDC and internal audit

As members will be aware, the Council is progressing through a fundamental restructure and business transformation programme - Commercial AVDC. The Business Assurance team, which includes Internal Audit is involved in a number of the "Business Reviews" and the annual internal audit plan has been focused to assist these across the Council.

The Business Assurance team is also involved in its own Business Review, considering how best to deliver these functions, set against the financial pressures that the Council faces, whilst at the same time also being aware that as we diversify and change our business models there may well be a changing type, style and need for these functions going forward.

The review that the Business Assurance team falls under is known as "Business Governance"' and covers the areas below. It is being overseen by the Business Strategy & Governance Sector Lead, Andy Barton:
- Audit & Risk
- Insurance
- Information Governance & Security
- Health & Safety
- Emergency Plan
- Business Resilience and Disaster Recovery

The outcome of the review will confirm the new structure, how the services will be delivered, this includes an assessment of internal, external and partner based provision of the functions, opportunities to improve automation of processes, and deliver a business plan for the functions going forward.

In the mean time the functions will continue to be delivered as they are currently. For the internal audit and risk elements, this is a combination of interim staff and contracted work mixed with the existing resources in the team. This situation will remain until the Business Governance review has concluded and the new approach agreed.

The Business Governance review has already commenced and is intended to complete in the autumn/early winter. Updates on the review will be included as standing item in this report until they have been delivered to ensure members are updated with progress.

Appendix 1: Internal audit opinion and classification definitions

Individual reviews - Basis of classifications

Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual findings are considered against a number of criteria and given a risk rating based on the following:

Finding rating	Assessment rationale
Critical	A finding that could have a: • *Critical* impact on operational performance; or • *Critical* monetary or financial statement impact **[quantify if possible = materiality]**; or • *Critical* breach in laws and regulations that could result in material fines or consequences; or • *Critical* impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • *Significant* impact on operational performance; or • *Significant* monetary or financial statement impact **[quantify if possible]**; or • *Significant* breach in laws and regulations resulting in significant fines and consequences*; or* • *Significant* impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • *Moderate* impact on operational performance; or • *Moderate* monetary or financial statement impact **[quantify if possible]**; or • *Moderate* breach in laws and regulations resulting in fines and consequences; or • *Moderate* impact on the reputation or brand of the organisation.
Low	A finding that could have a: • *Minor* impact on the organisation's operational performance; or • *Minor* monetary or financial statement impact **[quantify if possible]**; or • *Minor* breach in laws and regulations with limited consequences; or • *Minor* impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Annual opinion types

At the end of the year, the Head of Internal Audit provides an annual assurance opinion based on the work performed, which is used to inform the Council's Annual Governance Statement. The table below sets out the four types of opinion along with an indication of the types of findings that may determine the opinion given. The Head of Internal Audit will apply his/her judgement when determining the appropriate opinion so the guide given below is indicative rather than definitive.

Type of opinion	Indication of when this type of opinion may be given
Satisfactory	• A limited number of medium risk rated weaknesses may have been identified, but generally only low risk rated weaknesses have been found in individual assignments; and • None of the individual assignment reports have an overall report classification of either high or critical risk.
Generally satisfactory with some improvements required	• Medium risk rated weaknesses identified in individual assignments that are *not significant in aggregate* to the system of internal control; and/or • High risk rated weaknesses identified in individual assignments that are *isolated* to specific systems or processes; and • None of the individual assignment reports have an overall classification of critical risk.
Major improvement required	• Medium risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • High risk rated weaknesses identified in individual assignments that are *significant in aggregate but discrete parts* of the system of internal control remain unaffected; and/or • Critical risk rated weaknesses identified in individual assignments that are *not pervasive* to the system of internal control; and • A *minority* of the individual assignment reports may have an overall report classification of either high or critical risk.
Unsatisfactory	• High risk rated weaknesses identified in individual assignments that *in aggregate are pervasive* to the system of internal control; and/or • Critical risk rated weaknesses identified in individual assignments that are *pervasive* to the system of internal control; and/or • *More than a minority* of the individual assignment reports have an overall report classification of either high or critical risk.

Disclaimer opinion	• An opinion cannot be issued because insufficient internal audit work has been completed. This may be due to either:
	   o Restrictions in the audit programme agreed with the Audit Committee, which meant that our planned work would not allow us to gather sufficient evidence to conclude on the adequacy and effectiveness of governance, risk management and control; or
	   o We were unable to complete enough reviews and gather sufficient information to conclude on the adequacy and effectiveness of arrangements for governance, risk management and control.

Appendix 2: Internal audit plan and progress tracker

The 2016/17 Annual Internal Audit Plan was approved by members of the Audit Committee in March 2016.

Review	Description	Status/Comment	Risk Rating
Finance • General Ledger • Debtors • Creditors • Payroll • Treasury • Fixed Assets	Ongoing input to Commercial AVDC Finance Review project (Q1&Q2) and assurance over implementation and effectiveness of processes (Q3 &Q4)		
HR - Recruitment	Review recruitment processes and controls		
Electoral & Democratic Services	Deferred from 15/16. Roll out of ModGov – review processes post implementation		
Contract Management – Supplier Resilience	Deferred from 15/16. Assurance that key suppliers/contracts have adequate business continuity plans in place. Consider outcomes of Commercial AVDC review.		
Budget Management			
Information Governance	Information governance effectiveness review.	Scope of work agreed	
Health & Safety	Compliance with OHSAS18001; review of H&S Management System		
Safeguarding	Review pre Sec 11 audit. Also consider vulnerable adults.	Sec 11 plan of work has been released from BCC. Scope of audit review to be agreed.	
Debt Recovery	Council wide review of debt management and recovery processes, including council tax, business rates, HB overpayments and other income streams.	Work commenced July 2016	
My Account	Review security of payments, information and interfaces with other systems		
Good Governance Framework for Local Government	Review compliance with new CIPFA code and implications for AGS 16/17	CIPFA framework has been published. Review will commence in Q2.	
Risk Management	Continuous assurance over risk management process	Corporate risk register reviewed in July 2016 and reported to Audit Committee.	
Enterprise zones	Processes governing management of E Z partnerships		
Housing benefits			

Collection fund			
Estates – Service Charges	Basis for and calculation of service charges, collection processes		
Business Reviews		Internal audit has supported Commercial AVDC reviews: • Procurement & Contract Management • Business Intelligence • Financial Systems and Processes	
Vale Lottery	The review focussed on four areas identified as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act.	Complete	Low

Appendix 3: Accounts payable & accounts receivable - Management response and action plan

Update on progress - 7 July 2016

AVDC Internal Audit Report: Accounts Payable & Accounts Receivable – Action Plan

Please note that the references (eg 3.1) reference to The Detailed Findings and Action Plan (section 3) of the Internal Audit Report

3.1 Financial Regulations & Procedures – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date (names in brackets are the officers nominated to carry out action)	Status at 30 June 2016 (not validated by internal audit)
3.1 Financial Regulations (and FPRs)	As noted the Finance Regulations and Finance Procedure Rules do need to be brought up to date to reflect the implementation of Technology One. Work on updating the FPRs (identifying where changes need to made) has been done and updating for changes will be completed during April.	Following the update the revised FPRs will be presented to Corporate Board and Members for approval. Assuming that approval is given Sector Leads will be briefed on the changes and reminded of their responsibilities and will cascade these to their managers. The updated FPRs will be posted to the intranet and a link to them will be sent to all staff with Authorisation rights on Technology One. The context for the FPRs will be included in training/awareness activities related to the upgrade of the Technology One system later in 2016.	Andrew Small (Tony Skeggs) 30 April 2016	Finance Regulations and Procedures have been updated and will be presented to Council in July 2016. They will then be incorporated in to the Managers training currently being prepared and be published on Connect..
Procedure documents	The "how to guide" for Technology One will be revised and made more user friendly and comprehensive – at the moment there is no guidance on reporting As well as the guidance on using the system, process documents	Decision on timing of this to be related to the likely release/implementation date of the CI Anywhere version of Technology One – which will require new guidance on how to use the system. The procedure / process documents will include contextual information so that	See commentary. Technology One are providing an update on release dates on 7 March 2016 Guidance notes : Tony Skeggs	User friendly guidance notes / TechOne tips have been prepared and are available on Connect. Contextual information will be prepared as part of the Managers

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date (names in brackets are the officers nominated to carry out action)	Status at 30 June 2016 (not validated by internal audit)
	are being updated	users can understand why the process is important.	(Sharon Russell-Surtees) By 30 June 2016	training.
Technology One controls and reporting	The Technology One system has powerful and flexible reporting capability. However due to time and resource constraints these have not been fully explored or implemented. A note of reporting requirements is being compiled and will be reviewed and prioritised (an initial list is attached at Annex C) If there are changes to controls these will be tested	In discussions with Technology One it is clear that they are keen to work with AVDC to enable improved reporting both for budget management and controls It is likely that most, if not all, reporting requirements in the short term should be fulfilled either using AVDC's own expertise (Rosanna) supported by Technology One – within existing contractual support arrangements. This is definitely the "vibe" from Kerr McColl but will be confirmed when the reporting requirements are better defined. Consideration required of whether the existing Technology One management dashboards are being used effectively, whether these could be enhanced, the impact of CI Anywhere.	Tony Skeggs (Rosanna Iannone) Ongoing but initial reporting requirements to be agreed by 15 March 2016. Tony Skeggs Review by 31 May in consultation with managers. Timescale for changes to be agreed following review.	Reporting requirements were identified and reports produced. Dashboard information has yet to be determined with Sector Leads. Consultation is due to take place during July and August.

3.2 Financial Delegation (ability to authorise transactions (control design)

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.2 Financial Delegation (ability to authorise transactions)	The scheme of delegation and the Chart of Accounts needs to be updated to reflect the revised organisational structure of the Council. This is underway and is being supported by Technology One – in terms of providing information on the capabilities of the system Authorisation limits for Sector Leads managerial level to be agreed by Andrew Small (mid March). Review Authorisation pools as part of this roll out – ie who can authorise at each level for each cost centre	The 2016/17 budgets are being disaggregated from the previous structure and aligned to the Sector based structure.	Andrew Small (Tony Skeggs) Technology One will be on site 11 March. The revised Chart of Accounts will be in place by end of March 2016 Review and update Authorisation pools by end of June 2016 (will need to be done with Sector Leads and budget managers)	The revised Chart of Accounts was reflected in Technology One at the end of March. Review of the authorisation pools has been ongoing since April. Managers have access to a report that shows the users in each pool.
	Authorisation rights. At the moment all requests for change are reviewed by the Finance Manager who also makes the changes. The current process is largely based on email requests. A revised process based on an authorised form is being designed. The Technology One system supports setting time limits for	The functionality within Technology One for authorisation rights and time frames is in place but not uniformly well used at the moment.	Tony Skeggs Process and form by 30 April 2016 "How to…" note by 31 March 2016	A New User / Amend User request form has been developed and is available on Connect. How to use the absences function

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
	changes to authorisations both to cover for planned absences and for interim temporary staff. A short note on how to use this functionality will be added to intranet and a link to it sent to all authorisers			is covered in the User Guide on Connect. It will also form part of the training being developed.
Periodic Review of Changes	Because of the use of authorisation pools on the Technology One system there is the potential to create a large number of authorisers for particular budgets. It is proposed that on a quarterly basis, as part of regular budget management meetings that the list of authorisers and their limits be reviewed and any changes agreed	Ahead of the quarterly reviews it is proposed that as part of the Scheme of Delegation review authorisation rights for all cost centres / budget be reviewed. Create standard report of authorisation pools for managers.	Tony Skeggs Ongoing reviews on quarterly basis starting July 2016	No change, scheduled to start in July 2016.

3.3 Changes to Supplier data – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.3 Changes to Supplier Data	The existing process is not formalised in writing. It is proposed to adopt the process shown at Annex B. The Technology One solution does not include workflow or authorisation for supplier master data changes. This may be part of a future release. The system does already include reporting to identify any changes and production of the report each week/month can be automated. Tony Skeggs / Christina Ball are able to produce this report (look to filter and automate).	As well as adopting the new process it is proposed that a retrospective report be produced on all bank account changes since Technology One went live and that checks be made to ensure that the changes are supported by evidence.	Sarah Rodda (Christina Ball) & Tony Skeggs By 14 March 2016	A Bank Changes report has been written and is automatically produced before the supplier payment run, currently twice a week. This is reviewed by the Finance Manager.

3.4 New User Training – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
New user training	Training for current users will be revisited as part of the implementation of the CI Anywhere version of the Technology One software. This needs to pick up on the findings from the survey of users as to preferred learning styles. In the short term it is proposed that if staff need access to Technology One they will need to have face to face training from the Finance team. In the medium term an online e-learning course should be developed so that new members of staff can undertake training and an online assessment prior to receiving their log in details.		Tony Skeggs Requirement for training for new users in place from 1 July 2016 (time to prepare materials and notify managers) Online elearning and assessment by end 2016 – using CI Anywhere.	An E-Learning training course is being developed for all users and will form part of the new user induction package. Currently, new users are directed to the user guides and TechOne tips as well as receiving face to face training.

3.5 Procure to Pay Monitoring – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.5 Procure to Pay Monitoring	The Technology One system has powerful reporting capability and both standard and user derived reports can be produced. A list of useful reports is being compiled including: • Invoices dated before orders • Invoices paid over XX days after invoice date (received?) - where xx is user defined • Supplier creations dated after invoice date An initial draft list is attached at Annex C. This list will be discussed with Technology One and then the reports created and used on a monthly basis It is proposed to make some minor changes to the AVDC order form so that it is clear that a PO must be quoted required on invoices and that invoices must be sent to AP. These changes will be notified to all requisitioners.	Creation of the reports on the process is useful but only the start of the improvement. The reporting should be used to work with managers to identify where there is poor practice and to address through training/guidance and, where appropriate performance management. It is suggested that the Council institute a policy of returning non compliant invoices to suppliers – having given notice both internally and to suppliers. Directing invoices to single point will make it simpler to manage compliance and performance. It is also a building block to further automation of the process.	Sarah Rodda (Christina Ball) & Tony Skeggs Initial reports defined by 14 March and available by 30 April 2016. Order form changes agreed and implemented by 31 March 2016. No PO no Pay policy formulated by 31 March 2016 and implemented during April and May with reporting from June	All the reports listed in the box to the left have been written and are run on a monthly basis. The information is reviewed and action taken. The number of cases is being recorded and will be reported to the Review Board. The PO template has been amended to make it clear to suppliers that a PO must be quoted and that the invoice should be sent direct to Finance. The "No PO No Pay" policy was introduced from the 1st May and all suppliers were emailed explaining the new policy.

3.6 Monitoring of Financial Commitments – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.6 Monitoring of financial commitments	The current standard budget monitoring reports do not include commitments. Commitments are available separately but it is not clear that managers know how to use this information. An issue with commitments on reports at the moment is that it is not possible to see only in year commitments against a budget. This is a result of multi year contracts being entered without yearly milestones – an oversight/ training issue. It is suggested that the Finance Team inc Procurement work with budget holders to review multi year contracts and ensure that they are set up correctly. Technology One will work with AVDC to create a budget monitoring report that includes in year commitments. The Finance Team will then work with managers to ensure that these reports are available, used and understood. As part of regular budget monitoring (monthly or quarterly) reviews the Finance Team and Budget Managers will review a list of open Purchase Requisitions and where these are no longer required they will be deleted. Open orders with no or very low outstanding value will also be reviewed quarterly to check whether they should be closed.	More generally a project has been instigated to ensure that the business has the right information at the right time to enable and inform business decisions and the production of these reports will significantly assist this project.	Tony Skeggs (Sarah Deyes re contracts updating) (Sharon Russell-Surtees for reports) Review of multi year contracts and amend on Technology One. Start April, complete by end June 2016. Commitment report available and launched to Budget Managers with guidance by 31 May 2016. Quarterly review of requisitions and	The issue of reflecting contract commitments over the life of the contract within TechOne is still to be resolved. Finance have been working with TechOne to determine the best solution. There is now a solution that needs to be tested before work can begin amending the contracts. The task should be completed by the 30th September. This will start from July.

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
			open orders will start as part of year end in April 2016 and then quarterly from end of June 2016.	
Purchase orders & remittances & debtor invoices not reaching suppliers	This has been raised with Technology One and they have an internal case for this. A resolution has been chased (29 February) and will be followed up.

There is not an obvious technical solution for AVDC to follow to ensure that orders are being distributed.

As a short term solution it is suggested that an email be sent to all requisitioners and staff raising debtor invoices advising that whilst this problem is largely resolved and Technology One are working to complete resolution there re still some issues. In the interim, it is be advisable to check with suppliers that they have received orders and that where they have not to resend using a local email and to flag failures with Finance" (need to agreed how/ who/ use Hornbill) so that Technology One can be advised. | Christina | Technology One. (Kerr McColl) and . John Barter to follow up by 14 March and weekly until resolved.

John to email staff by 31 March – if issue remains unresolved. | This has been resolved. |

3.7 Accounts Payable performance monitoring – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.7 Accounts Payable Performance monitoring	Some simple reporting from the Technology One system can be used to start gathering information on performance. The following is proposed as a first report: Invoices paid over 30 days from invoice date (a list showing supplier, invoice date and payment date and elapsed days). This would give an indication as to how well the Council is meeting the Prompt Payment Code. Once set up the report could be run with different date parameters eg 10 day and 30 day. Where invoices are paid beyond 30 days the AP team should seek to understand where the delay occurred. Eg invoice without PO quoted, goods receipting not done, invoice mi-addressed. Follow up discussions should be held with sector leads where there are teams or individuals that consistently cause delay. The AP team should also begin to record the numbers of invoices received that are non compliant with the P2P process. This should include invoices that do not include a supplier entered PO number. Doing so will assist in identifying areas for training/advice. If a No PO no Pay policy is introduced the AP	AVDC's payment team does not capture invoice received date at the moment so 30 days is used as a proxy to give some time for post and internal processes. By identifying and working with teams (and perhaps suppliers) that are not following the agreed process compliance should improve. This should then reduce the volume and frequency of supplier contact – supporting the ambition to move finance colleagues away from transactional support. Suppliers are all set with immediate payment terms currently. There is not a backlog of invoices in the AP team. However without reporting it is not clear whether invoices are being paid "too early" within terms or late. Going forward the Council should consider setting up suppliers with appropriate payment terms eg 28 days or 7/8 days (for SME or local suppliers). If the Council actually pays most invoices very quickly moving to pay to longer terms may need to be transitioned over a period The controlled use of Purchase Cards can also support prompt payment and reduce effort in the end to end P2P process (subject to discussion).		The report showing payment over 30 days has been produced. It will be reviewed on a monthly basis and cases over 30 days will be investigated and, if a recurring problem, reported to Sector Leads. From the 1st May monitoring of invoices without a PO or having a hand written PO was started. Any invoices that did not have a pre printed PO number were referred back to the originating section. The monitoring has stopped

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
	team may also need to initially record invoices returned to suppliers and why.	Lloyds virtual card		now as nearly all invoices have a pre-printed PO number.

3.8 Accounts Receivable billing and recovery process – control design

Issue (ref to detailed findings section in report)	Diagnosis & proposed action	Commentary	Lead & date	Status at 30 June 2016 (not validated by internal audit)
3.8 Accounts receivable and billing	Responsibility for these processes has not changed with the implementation of Technology One but the mechanics of the process have moved online. The responsibility for identifying and raising debts is devolved to budget managers. The role of the Finance Team (Accounts Receivable) is to check that the invoice is appropriate before it is sent to the debtor. Debt recovery is carried out by the AR team. Guidance on invoice raising and approval on Technology One is included in the existing User Guide. But the Guide does not include guidance on accessing management information on debts outstanding. This will be documented. Reports on all o/s debt for their service area are available from Technology One to managers but aged debt reports are only available for all debt. The Finance Team are working to produce the aged debt reports at service level. Aged debtor reports will be reviewed as part of the monthly or quarterly budget monitoring meetings that the Finance Team have with budget managers. This will be more important as part of the commercialisation of the Council.	The direction of travel for the Council is to seek prepayment for chargeable services so the volume of invoices may be reducing as prepayment can often be carried out online. There will however be areas in which it is necessary to raise invoices as part of a debt recovery process eg housing benefit overpayments.	Sarah Rodda (Christina Ball) & Tony Skeggs Guidance & procedure note on reporting by 31 May 2016. Aged debt reporting by service requirement will be raised with Technology One by 11 March (T1 on site) if not resolved before then. Debt will be included in budget monitoring discussions from April 2016 onwards	Guidance notes have been prepared and are available on Connect. An aged debt by service has been developed and is available to TechOne users. The aged debt reports will be reviewed at the monthly / quarterly budget meetings from July.

Appendix 4: Internal audit reports

The Committee requested to see all internal audit reports in full. Those completed since the last meeting are attached below.

1. Council Tax and Business Rates

2. General Ledger and Budgetary Control

3. Data Protection – Mobile Devices

4. Vale Lottery

Business Assurance Services

Assurance Report

2015 / 16

Council Tax & Business Rates

Assurance Opinion

REASONABLE

MAY 2016

Contents

Distribution List

For action   Janet Forsdike

                            Gary Wright

For information   Sarah Rodda – Sector Lead , Business Delivery Support &
                            Enablement

                            Jeff Membery – Sector Lead, Customer Fulfilment

                            Andrew Small – Director, Section 151 Officer

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Assurance Officer – Doug Gray

Business Assurance Manager – Kate Mulhearn

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1. Executive summary

Report classification*	Total number of findings			
		High	Medium	Low
REASONABLE	Control design	-	1	-
	Operating effectiveness	1	1	1
	Total	**1**	**2**	1

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

Summary of findings:

We considered the controls and processes for council tax and business rates (NNDR). Overall we found the controls and processes to be operating effectively to provide reasonable assurance over billing and recovery. However, there are a number of areas where action is needed to improve the integrity of financial information, control and monitoring processes. The following weaknesses were identified:

Reconciliation of iWorld and T1 (High) – the reconciliation between iWorld (revenue) and T1 (cash) has not been performed regularly during the year. At the time of review the reconciliations are several months behind for both Council Tax and Business Rates. Suspense accounts held in T1 and iWorld contain significant balances that should be posted to the relevant council tax or business rate accounts.

Roles and responsibilities for reconciliations within the revenues team and central finance team should be clarified, this should include suitable cover to reduce reliance on one key individual. Daily reconciliation of cash (T1) and council tax and business rates balances (iWorld) should be performed. The reconciliation should be reviewed (at least monthly) by a senior officer.

Refunds and write offs (Medium) - The processes for council tax and business rates refunds and write offs should be clearly documented and communicated, including responsibilities for review and authorisation. Approval limits should be set in line with corporate policy, and controls

established to ensure that these are adhered to. This issue has been raised in previous years internal audit reports and it is recognised that this is part of a wider process to review at a Corporate level the policies and procedures for debt write-off. This should be addressed as part of the *Commercial AVDC Finance Process and Systems Review* project.

Management information (Medium) - A suite of performance metrics should be agreed to enable effective monitoring of revenue collection and recovery and flag early signs that annual budgets may be at risk. This should include target annual and monthly profiled collection rates for both council tax and business rates. Monthly performance should be monitored against target rates and reviewed by the responsible director and appear on the corporate board agenda.

Valuation Office Agency reconciliation (Low) - For both domestic and commercial properties a weekly reconciliation to the Valuation Office Agency (VOA) schedules is performed but there is no process to monitor properties with a temporary or no valuation status (approx. 100 domestic properties each of the month). A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a "temporary" or "no valuation" status.

Management comments

2. Background and Scope

Background

This review of the Council Tax and Business Rates forms part of the 2015/16 Audit Plan of work that was agreed by Members and Management.

Until January 2016, the end to end processes were managed within the Revenues and Benefits Department. Following the Council's reorganisation, the customer facing side of council tax (billing and exceptions/discounts) is within the Customer Fulfilment sector and responsibility for recovery is in the Business Delivery Support sector. Processes relating to Business Rates are all in the Business Delivery Support sector.

The database of properties is maintained on the iWorld (Northgate) software.

The audit objective was to provide management with assurance that the fundamental controls around these processes have operated effectively during the year.

Scope

The planned scope and methodology for this review is set out in Appendix 2.

The review covered the controls that were operating during 2015/16.

3. Detailed findings and action plan

1. Reconciliation between iWorld and Technology One (cash) (Operating Effectiveness)

Finding (Council Tax and Business Rates)
The reconciliation of council tax and business rates in iWorld (revenue) and the Technology One (T1) financial system (cash) is a key control that ensures the integrity of the iWorld database and the customer balances it holds.

During 2015/16 the reconciliation process hasn't been carried out consistently and whilst this review was being undertaken the reconciliations are several months behind for both Council Tax and Business Rates. Good practice would be to reconcile these balances on a daily basis, with review at a senior level performed at least monthly.

In the absence of completed reconciliations, we performed sample testing of 40 'bank transfer and pay-point transactions', tracing them through from the bank statements to the customer accounts (iWorld). We did not find any instances of inaccurate credits or delay in those payments reaching the destination accounts in iWorld. This provides some level of confidence that the records are being updated correctly.

There are suspense accounts held in T1 and also iWorld that contain significant amounts of revenue that should be posted to the relevant council tax or business rate accounts. As at the end of 2015/16 there is approximately £50k in payments that are unallocated in the T1 suspense account and a further £60k on the iWorld account. We understand that there are some issues with the interface between T1 and iWorld, which Finance and the service are trying to resolve.

Reconciliation and suspense clearance is the responsibility of a single officer in the revenues team with no cover during times of absence; this is a contributory factor to lack of timely suspense clearance and reconciliation during 2015/16. |

Risk
Lack of accuracy and completeness of the financial information relating to council tax and business rates revenues and liabilities.
Information held on customer balances for council tax and business rates may be inaccurate.
The lack of regular reconciliation throughout the year creates significant resource burden at year end.

Action plan		
Finding rating	*Agreed action*	*Responsible person / title*
High	1. Roles and responsibilities for reconciliations within the revenues team and central finance team should be clarified, this should include suitable cover to reduce reliance on one key individual.	Gary Wright / Janet Forsdike (Revenues) Tony Skeggs (Finance)
	2. Standard procedures should be documented and implemented.	*Target date*
		Actions 1-4. End of July 2016.
	3. Daily reconciliation of cash (T1) and council tax and business rates balances (iWorld) should be performed. The reconciliation should be reviewed (at least monthly) by a senior officer.	Action 5. Links to the GL Audit Report dated May 16.
	4. Suspense accounts should be reviewed and cleared daily as routine.	Outstanding Reconciliations To bring the reconciliations up to date – 15/16 - by end of May 2016.
	5. Finance and the service area will need to work together to map the processes and flow of information between the T1 and iWorld systems to ensure the interfaces are operating accurately. There may be opportunity to improve efficiency by using more automated reconciliation checks. *Note - This finding and related actions have also been raised in the internal audit report for General Ledger.*	For April / May 2016 – by the end of June 2016.

2. Refunds and write offs (Control Design)

Finding (Council Tax and Business Rates)

We reviewed the processes that govern the way in which council tax and business rate refunds and write-offs are authorised, validated and actioned. These processes are not documented and there is no corporate policy on writing off debts.

The volumes and value of refunds and write offs during the year to January 2016 are as follows:

	Refunds		Write offs			
	Volume	Value	Volume	Value	No. > £1k	Value >£1k
Council Tax	4500	£900k	2073	£309k	44	£60k
Business Rates	620	£4.6m	69	£206k	34	£193k

For write offs, the established processes within the revenues team require a different person to request and authorise the write off in iWorld but the system control does not enforce authority levels so anyone can authorise, including non management.

This issue was also raised in the 2014/15 internal audit report.

Risk

Refunds and write offs may be issued inappropriately.

Action plan		
Finding rating	Agreed action	Responsible person / title
Medium	1. The processes for council tax and business rates refunds should be clearly documented and communicated, including responsibilities for review and authorisation	Janet Forsdike / Gary Wright (Revenues) Tony Skeggs (Finance)
	2. The process for council tax and business rate write off should be formally documented and communicated. Approval limits should be set inline with corporate policy and controls established to ensure that these are adhered to.	*Target date* Action 1 - 3 – end of September 2016
	3. Corporate Board / Transition Board, as a matter of routine should be made aware of the levels of current and historic debt being written off by Revenues.	
	Note: As part of the Commercial AVDC restructure all debt recovery has been placed in the "recovery team". The policies and procedures for debt write-off should be developed and applied consistently across all debt types.	

3. Management information: Monitoring collection rates (Operating effectiveness)

Finding (Council Tax and Business Rates)

Monthly reports are prepared for council tax collection, showing current and prior month collection rates, these are reviewed at director level.

For business rates, collection performance is reviewed within the team but monthly performance information is not reported

Over the last few years, the Council has achieved collection rates for both council tax (2015: 98.3%) and business rates (2015: 99.5%) slightly above the national average. See Appendix 3 for 2014 and 2015 statistics (2016 results will not be published until June 2016).

We reviewed council tax collection rates for the final quarter of 2016:

Dec 2015 - 85.79%

Feb 2016 - 96.81%

2016 outturn – 98.2%

These monthly rates are lower than the prior year annual average. The Recovery Manager informed us that the outturn position was slightly down on previous year.

There is no target collection rate against which to compare actual performance.

Risk

If collections levels were to decline this could have a significant impact on AVDC's resources to deliver services.
Reasons for performance variances may not be fully understood and addressed.

Action plan		
Finding rating	*Agreed action*	*Responsible person / title*
Medium	1. A suite of performance metrics should be agreed to enable effective monitoring of revenue collection and recovery and flag early signs that annual budgets may be at risk. This should include target annual and monthly profiled collection rates for both council tax and business rates. 2. Monthly performance should be monitored against target rates and reviewed by the responsible director and appear on the corporate board agenda.	Gary Wright / Janet Forsdike *Target date* Actions 1 & 2 – From June 2016.

4. Valuation Office Agency Reconciliation (Operating Effectiveness)

Finding (Council Tax and Business Rates)
For both domestic and commercial properties there is evidence of routine weekly reconciliation to the Valuation Office Agency (VOA) schedules. This process is key control that ensures the accuracy of the database, the number of properties and their associated valuations (total rateable values).

The reconciliations only include those properties that have a valuation but not those with a temporary or no valuation status (approx. 100 domestic properties with temporary status in each of the months we sampled). The VOA has 90 days in which to resolve these cases and bring them into a proper valuation but this is not actively tracked by the council tax and business rates teams.

Risk
Council tax and business rates may be billed incorrectly, or properties omitted if they do not agree to VOA data.

Action plan		
Finding rating	Agreed action	Responsible person / title
Low	1. A process should be developed to enable both council tax and business rates teams to actively monitor the properties that have a "temporary" or "no valuation" status.	Janet Forsdike / Gary Wright
		Target date
	2. Any properties that are not valued in the usual timeframe should be formally notified to the VOA.	Action 1&2 – Process in place by end of July 2016

Appendix 1. Finding ratings and overall assurance opinion

Findings and Recommendations are prioritised as follows:

High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Medium	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure
Low	Improvements that will enhance the existing control framework and/or represent best practice.

Assurance opinion definition:

Substantial Assurance	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. As a guide there are a few low risk / priority actions arising from the review.
Reasonable Assurance	Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low. As a guide there are mostly low risks and a few medium risk/priority actions arising from the review.
Limited Assurance	Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high. As a guide there are mostly medium and a few high risk / priority actions arising from the review.
No Assurance	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high. As a guide there are a large number of medium and high risks / priority actions arising from the review.

Appendix 2. Terms of Reference

Control Objectives
This review will consider the adequacy and effectiveness of the following controls.

- **Policies / Procedures** – are up-to-date, comprehensive and have been communicated to officers that operate the processes.
- **Council Tax Setting / Business Rate Multipliers** – for 15/16 the database of domestic and non-domestic properties have been applied with the correct bandings / multipliers respectively.
- **The accuracy of the Property database and Valuations** – is reconciled to the Valuation Office records and are billed accordingly for the year.
- **New & Empty Properties / Business** – are identified and inspected at an early stage to ensure the status of accounts are accurate and revenue is being realised at the earliest opportunity.
- **Discounts, Exemptions, Reductions and Reliefs** – are only applied to accounts when it is appropriate and in accordance with regulation and local policy. These are subject to periodic reviews.
- **Reconciliation** – between the finance (T1) and Northgate systems are routinely performed and reviewed. The reconciliations ensure that monies are being applied to personal accounts in an accurate and timely way.
- **Arrears** – are promptly identified and recovery processes instigated in a timely way.
- **Credit balances** – are identified and where appropriate refunded in a timely way.
- **Write-Offs** – of arrears are necessary and authorised in accordance with Financial Procedures, before being actioned.
- **Management Information** – is routinely produced on collection rates and potential variances to expected revenue.

Methodology

- Obtain an understanding of the processes that have been operating throughout 2015/16 through discussions with key staff, review of systems documentation and testing of the processes;
- Identify the key risks relating to Council Tax and Business Rates;
- Evaluate the design of the controls in place to address the key risks and test the operating effectiveness of the key controls;
- Where appropriate, will use data analytics software (IDEA) to analyse data from the Northgate system that is appropriate to the relevant control objective.

Appendix 3. Council Tax and National Non Domestic Rates 2014 and 2015

Council Tax						
	2013-14			2014-15		
	Estimate of amount collectable in the year*	Amount collected by 31 March 2014	Amount collected by 31 March 2014 as a % of amount collectable	Estimate of amount collectable in the year*	Amount collected by 31 March 2015	Amount collected by 31 March 2015 as a % of net collectable debit
	£000s	£000s	%	£000s	£000s	%
Aylesbury Vale	99,321	97,957	98.6	102,797	101,081	98.3
Shire District	11,035,730	10,803,389	97.9	11,352,031	11,116,705	97.9
All England	24,119,824	23,386,014	97.0	24,793,215	24,052,365	97.0

Non-domestic rates						
	2013-14			2014-15		
	Estimate of amount collectable in the year*	Amount collected by 31 March 2014	Amount collected by 31 March 2014 as a % of net collectable debit	Estimate of amount collectable in the year*	Amount collected by 31 March 2015	Amount collected by 31 March 2015 as a % of net collectable debit
	£000s	£000s	%	£000s	£000s	%
Aylesbury Vale	47,844	47,557	99.4	50,150	49,899	99.5
Shire District	7,453,490	7,326,292	98.3	7,583,172	7,459,915	98.4
All England	23,138,719	22,660,690	97.9	23,510,378	23,066,362	98.1

From: Department for Communities and Local Government   Published: 1 July 2015

Business Assurance Services

Internal Audit Report

2015 / 16

General Ledger & Budget Control

Assurance Opinion

LIMITED

May 2016

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Assurance Officer - Doug Gray

Business Assurance Manager – Kate Mulhearn

Distribution List

For action   Tony Skeggs

                              Gary Wright

                              Janet Forsdike

For information   Andrew Small - Director

                              Andy Barton - Sector Lead

                              Sarah Rodda - Sector Lead

                              Audit Committee

                              Commercial AVDC Finance Review Board

1. Executive summary

Report classification*	Total number of findings			
		High	**Medium**	**Low**
LIMITED	Control design	1	1	-
	Operating effectiveness	1	1	-
	Total	**2**	**2**	-

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

Summary of findings:

General Ledger

This review has raised 2 high priority and 1 medium priority recommendations over the management and control of the General Ledger.

Reconciliation of key financial systems to the general ledger (High) - The Council has several key financial systems that feed into the General Ledger, including iWorld (Payroll) and iTrent (Housing Benefits, Council Tax and Business Rates). During the year to March 2016 there has been inconsistent, incomplete or no reconciliation of these financial systems to the General Ledger.

The interrelationships between the General Ledger and all other financial systems will be mapped and roles and responsibilities for reconciliations within the finance team and service areas will be clarified. Standard procedures will be documented and implemented.

Suspense accounts (High) – During 2015/16 the review and clearance of suspense accounts has been done sporadically, which has resulted in large amounts sitting on the suspense accounts from one period to the next.

The procedures and responsibilities for clearing suspense accounts are to be agreed and documented. Suspense accounts will be cleared daily and month-

end procedures will include review of the accounts to ensure balances are not sitting from one period to the next. Work is needed to clear the backlog of old items in suspense relating to the implementation of T1.

Journal processing (Medium) – Currently there is no way of differentiating between what is regarded as a recurring accounting journal and adhoc journals and there are no routine monitoring controls to review journals.

Procedures will be established for the use of different journal types that differentiate between recurring and non-recurring journals and virements. Journals between sub-ledgers are an area of risk as they could be used to manipulate the accounts or conceal fraudulent transactions. In order to balance resource input with risk, greater focus will be placed on journal transfers into/out of the sub ledgers. For these consideration will be given to de-minimis values and appropriate authority levels to approve prior to posting.

Procedures will be agreed and documented for the approval and review of journals to ensure they are valid.

Budget Monitoring

We raised one medium priority recommendation concerning the need for training for Budget Managers to bring consistency across the authority and clarity around roles and responsibilities. We note that plans are already being developed to address this as part of the Commercial AVDC Financial Systems and Processes Review.

2. Background and Scope

The objective of this review is to provide assurance that the General Ledger and Budget Management controls have been operating effectively throughout 2015/16.

At the time of starting our work, the Commercial AVDC Financial Systems and Processes Review is also underway. Where our findings and agreed actions are covered by the project this has been highlighted.

The Council introduced the new finance system at the beginning of June 2015. This resulted in changes in terms of the front end; what budget managers see and the back end maintenance of the ledgers.

Scope

The planned scope and methodology for this review is set out in Appendix 2.

3. Detailed findings and action plan

1. Reconciliation of the key financial systems to the general ledger (control design)

Finding

The General Ledger is part of the Technology One (T1) finance system. The Council also operates a number of other financial systems including iTrent (Payroll) and iWorld (Housing Benefits, Business Rates and Council Tax). The performance of a monthly financial reconciliation between the General Ledger and the supporting financial systems is a key control that ensures the integrity of the financial systems and the accuracy and completeness of the data that flows between them.
 	
During the year to March 2016 there has been inconsistent, incomplete or no reconciliation of these financial systems to the General Ledger. At the end of April 2016 the status of reconciliations to the general ledger is as follows:
 	
   • Payroll has not been reconciled (see Payroll report)
   • Council Tax income is reconciled to September 2015 (see Collection Fund report)
   • Business Rates to February 2015 (see Collection Fund report)
   • Housing Benefits – issues with overpayment and rent allowance reconciliations (see Housing Benefits report)
 	
The reconciliation process is not overseen by the Finance Team. It is only at year-end that the delays have been identified resulting in potential issues with the closure of the Council's accounts.
 	
The lack of up-to-date reconciliations over the Council's key financial systems has been reported in the internal audit reports that relate to Payroll, Housing Benefits and Collection Funds respectively. However, since the General Ledger is the primary source of information for the annual accounts, the Finance Team should maintain oversight of the overall integrity of the financial data reported.

Risk
Lack of accuracy and completeness of the data in the General Ledger and supporting key financial systems. Information held on customer balances for housing benefits, council tax and business rates may be inaccurate. The lack of regular reconciliation throughout the year creates significant resource burden at year end to clear reconciling items.

Action plan		
Finding rating	*Agreed action*	*Responsible person / title*
High	1. Map the interrelationships between the General Ledger in T1 and the other financial systems and processes, with a view to establishing where reconciliation is necessary.	Tony Skeggs – General Ledger
		Gary Wright - CT, NNDR, Payroll
		Janet Forsdike – Housing Benefits
	2. Roles and responsibilities for reconciliations within the finance team and service areas will be clarified.	
		Target date
	3. Standard procedures for reconciliations will be documented and implemented. Monthly reconciliation will be performed.	Action 1 - 30 June 2016 Action 2 - 30 June 2016
	4. The Finance Team will oversee the reconciliation processes that are operating over these key systems and processes that impact on the integrity of the GL.	Actions 3 & 4 – details and timing to be confirmed once processes and responsibilities are established.
	These actions have been included in the Commercial ADVC Financial Systems and Process action plan.	

2. Suspense account management (operating effectiveness)

A suspense account is an account in the general ledger that temporarily stores any transactions for which there is uncertainty about the account in which they should be recorded. These transactions should be investigated and cleared frequently.

There are four suspense accounts in T1. At the end of March 2016 the total balance on suspense is £750k, made up as follows:

Description	Outstanding Balance £(Cr) (Mar16)*
CTAX Suspense	85,467.40
Bank Suspense	323,006.54
General Suspense	1,877.83
Error Suspense	301,900.92

During 2015/16 the review and clearance of suspense accounts has been done sporadically which has resulted in large amounts sitting on the suspense accounts from one period to the next. For example, £300k has been in the "Error Suspense" account since Period 3 (June 2015). We understand that much of this suspense balance relates to a backlog from June to September 2015 post implementation of T1.

Regular clearing of suspense accounts is a key financial control to ensure integrity of financial information.

* At the time of finalising this report in May 2016, work has begun to address the backlog of items in suspense. CTAX Suspense is £67k and Bank Suspense is £163k. Both General Suspense and Error Suspense have been cleared to nil. Within the Bank Suspense there are 203 items of which 138 are dated before 31 December 2015 and account for £65k with the rest (£98k) hitting the account from the 1st January.

Financial information may be inaccurate or incomplete.
Potential inefficiencies and damage to customer relationships by chasing balances that have been paid and not correctly identified.

Action plan		
Finding rating	*Agreed action*	*Responsible person / title*
High	1. Backlog – The backlog of old items sitting in suspense will be cleared. Resource needs to be identified to focus on this task. The underlying reasons for suspended items that have occurred in 2015/16 will be identified and addressed to reduce the incidence of uncertainty about transaction destinations going forward and improve the integrity of the T1 general ledger. 2. Ongoing - Procedures and responsibilities for clearing suspense accounts should be agreed and documented. Suspense accounts should be cleared daily and month-end procedures should include review of the accounts by the Finance Manager to ensure balances are not sitting from one period to the next. *These actions have been included in the Commercial ADVC Financial Systems and Process action plan.*	Tony Skeggs *Target date* Action 1 – 31 August 2016 Action 2 – 31 May 2016

3. Journals and virement (control design)

Within T1 the term "journal" is used to refer to both a single manual transaction between one general ledger account and another or it could relate to bulk uploading a bank file that affects numerous accounts. 'Virement' is the act of moving budget allocation between cost centres within the general ledger. Both are routine and necessary accounting functions in maintaining the general ledger and formulation of the financial accounts.

Virements are processed as a 'journal' type of transaction within T1 and they are not separately identifiable, we understand relatively few have been posted during 2015/16. All journals are posted by officers in the Finance Team. The volume and total value of journals posted during 2015/16 is shown below under each 'journal type'.

TYPE	Total Number of Records Posted (Dr & Cr)	Total Value
Bank Journal	295	153,087,854.00
General Journal	769	104,617,708.00
Open Period Journal	673	66,689,879.00
Prior Period	420	3,344,041.00

From the list of 2000+ journals we selected 20 at random to identify the purpose for the journal and assess whether there was any supporting documentation held on Technology One. We found that only 3/20 had a file attached in support of the transaction but all 20 had some narrative against the transaction describing the reason for the journal. All 20 could be regarded as routine accounting journals.

At the time of review, 4 types of journal (see above) had been used. There are 13 currently available in T1. The nature of transactions that relate to each journal type isn't defined and they do not appear to be consistently applied. For example, we identified the same type of journal (to adjust payroll income) posted by different officers who used different T1 "journal types".

Currently there is no way of differentiating between what is regarded as a recurring accounting journal and adhoc journals. Recurring accounting journals are those which would be created and processed by the Finance Team as part of the day to day management and operation of the general ledger. Non-recurring

journals are those that are necessary to rectify errors or make other adhoc adjustments. Where these occur between sub ledger ledgers (e.g. debtors ledger, payroll ledger) and the GL, there is an increased risk as they could be used to manipulate the accounts or conceal fraudulent transactions.

The T1 audit trail shows that there is segregation of duties between the person raising and posting the journal, but there is no monitoring control to review journals after they have been posted.

Risk
Invalid, erroneous or fraudulent journal entries resulting in financial irregularities or misstatements.

Action plan		
Finding rating	*Agreed action*	*Responsible person / title*
Medium	1. Establish a clear protocol for the use of different journal types that differentiates between recurring and non-recurring (adhoc) journals and virements. All journals are supported with evidence for the reason for the journal, and who requested it. Journals are reviewed and approved prior to being posted. Consideration will be given to the use of standard "journal request" forms.	Tony Skeggs
		Target date
		30 September 2016
	2. In order to balance resource input with risk, greater focus will be placed on journal transfers into/out of the sub ledgers. For these consideration will be given to de-minimis values and appropriate authority levels to approve prior to posting.	
	3. A quarterly review of all journals will be performed to check for validity, large or unusual items and whether there are recurring requests. Consider automation of recurring entries to reduce the number of manual journals. Identify any structural issues with budgets, spend or income which can be addressed at source.	
	4. Agreed procedures will be documented and shared with appropriate staff.	
	These actions have been included in the Commercial ADVC Financial Systems and Process action plan.	

4. Budget monitoring (operating effectiveness)

Finding
Service Area Budgets We conducted a survey with budget managers from a range of service areas from across the council. The survey asked questions that focussed on their experiences of using the 'Technology One' software as a tool to aid the effective management of their budgets. Overall the responses identified that there are inconsistencies with the way in which Budget Manager's monitor their budgets, including the frequency of monitoring. This was in part due to a lack of familiarity with how the new finance system operates and some managers expressed a lack of confidence in the output from the software. There is also still reliance on finance officers to provide a level of support which is at odds with why the system was introduced – to allow Budget Managers to manage their budgets more autonomously. The Finance Team have meetings with Budget Managers across the Council, but these meetings are not formally recorded. The outcomes from those meetings are not recorded in a standard manner; for example an agreement to change a forecast maybe followed up by an email or a note from the officer. Portfolio Level Budget Reporting The Finance Team produces quarterly financial reports known as the 'Quarterly Financial Digest'. This report is primarily aimed at the Portfolio Holders (Members). The Digest provides an overview of the Council's budget position split by portfolio and service area and highlights significant variances on individual service budgets and provides high level explanations against those. Our testing reviewed the significant variances that are highlighted in the September and December 2015 Digest. As at the date of this report (April 2016) the outturn position for the final quarter of 2015/16 has not yet been produced and won't be until the accounts have been closed (around June 2016). We saw evidence to show that the Council is managing the impact of different events on the budgets and reporting changes. The predictions made on budgets when significant variances have occurred were found to be accurate and budgets were re-forecasted.
Risk
Unbudgeted expenditure may go unnoticed in the absence of regular review and challenge. Savings targets may not be achieved.

Action plan		
Finding rating	*Agreed action*	*Responsible person / title*
Medium	Training will be developed and provided for Budget Managers so that responsibilities are clearly understood. Any changes to budgets or reforecasts will be clearly documented and approved at appropriate levels in accordance with the scheme of delegation. Recognising that the Council is undergoing a major transformation in order to become more commercial, it is important that responsibility and accountability for budget management sits at an appropriate level within the organisation. Whilst Budget Managers may be responsible, there is some risk that without structured accountability mechanisms (e.g. linking to performance reporting), budget management may not be given appropriate priority. The restructure provides a good opportunity to consider the level of review and involvement from the central financial team required in order to support budget managers and ensure robust and accountable budget management procedures going forward. *Note – these actions are included in the Commercial AVDC financial systems and process review.*	Andrew Small, Andy Barton, Tony Skeggs *Target date* 30 September 2016

Appendix 1. Finding ratings and overall assurance opinion

Findings and Recommendations are prioritised as follows:

High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
Medium	An issue which requires prompt attention, as failure to do so could lead to a more serious risk exposure
Low	Improvements that will enhance the existing control framework and/or represent best practice.

Assurance opinion definition:

Substantial Assurance	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. As a guide there are a few low risk / priority actions arising from the review.
Reasonable Assurance	Our critical review or assessment on the activity gives us a reasonable level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low. As a guide there are mostly low risks and a few medium risk/priority actions arising from the review.
Limited Assurance	Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high. As a guide there are mostly medium and a few high risk / priority actions arising from the review.
No Assurance	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high. As a guide there are a large number of medium and high risks / priority actions arising from the review.

Appendix 2. Terms of Reference

This review will consider the adequacy and effectiveness of the following controls.

General Ledger

- **Financial Procedures** – These are documented and maintained to support the effective processing within the general ledger system. Roles and responsibilities are clearly defined and have been communicated.
- **Access & Security** – All data in the finance system is secure and access is controlled and restricted to authorised officers. The access rights (profiles) of users are reviewed frequently to reflect changes in responsibility, starters and leavers.
- **Chart of Accounts** - Effective controls have been established to confirm the completeness and accuracy of the general ledger coding structure.
- **Data to the system** – There are validation controls that ensure data to the general ledger is complete and accurate, including interfaces with feeder systems.
- **Suspense Accounts** – There are effective controls for the timely review and update of suspense accounts.
- **Journals & Virement** - Journal entries and budget adjustments are valid and are supported by evidence as justification for the adjustment. Adjustments are appropriately authorised and in accordance with financial procedures.
- **Bank Reconciliation –** There is monthly reconciliation between the finance system and the bank accounts that is documented. The process is subject to review and validation by a senior officer.

Budgetary Control

- **Budget Managers –** The finance system adequately reflects the responsibilities for budget management across the Council. These are regularly reviewed and appropriately updated.
- **Budget Monitoring -** Sufficient, timely and reliable information is available to budget managers. There is evidence that Budget managers check their budgets.
- **Variance analysis** – There are corporate parameters for 'flagging' up where expenditure is likely to exceed budget or if income is falling below expected levels. These variances are investigated, explained and acted on.
- **Corporate Reporting** – There is routine reporting throughout the year to Senior Management / Members of actual and forecasted budget performance.

Methodology

Our audit approach is as follows:

- Obtain an understanding of the processes that have been operating throughout 2015/16 through discussions with key staff, review of systems documentation and testing of the processes.
- Identify the key risks relating to General Ledger and Budget Control within AVDC.
- Evaluate the design of the controls in place to address the key risks and test, where appropriate, the operating effectiveness of the key controls.

Business Assurance Services

Internal Audit Report

2015 / 16

Mobile Devices

Assurance Opinion

Reasonable Assurance

June 2016

AYLESBURY VALE
DISTRICT COUNCIL

Contents

Distribution List

For action   Alan Evans – Head of Business Transformation

                     Sarah Rodda – Business Support & Enablement Lead

                     Andy Barton – Business Strategy & Governance Lead

For information   Andrew Small – Section 151 Officer

                     Audit Committee

Business Assurance Manager – Kate Mulhearn

1. Executive summary

Report classification*	Total number of findings			
	Priority	High	Medium	Low
	Control design	-	3	2
	Operating effectiveness	-	-	1
	Total	**-**	**3**	**3**

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

Summary of findings:

Remote working and Bring Your Own Device (BYOD) are growing trends in the business world today, as employees have greater access to computing power in their own homes than ever before. This brings benefits in allowing for greater flexibility as to when and where people work, however there are numerous associated information security risks.

AVDC has managed to effectively mitigate some of these risks; applications are accessed remotely via a secure portal rather than on local machines. This means that information is stored centrally rather than on many devices which may undergo loss or theft. As such, AVDC's information security risks associated with mobile devices are mostly centred around access to online services and information on personal devices outside of AVDC's control. A degree of trust is placed in personal devices and the way staff use them; such as allowing users to access emails on personal devices without a PIN or password, and allowing information to be printed at home. AVDC does issue mobile devices to staff, but in many respects an equal level of trust is placed in personal devices and AVDC issued devices.

Overall, we have determined that the Council can take reasonable assurance as to the risks surrounding data loss and security incidence as a result of mobile working. Basic precautions have been taken across all key areas to ensure that the risks of data loss is mitigated. However, overall the Council's controls are heavily dependent upon the end users' compliance with existing policies and taking basic precautions when conducting council business on either a 'corporate' or personal mobile device. Therefore, an overriding recommendation is to develop and maintain awareness of the importance of information security, and the precautions that users are expected to maintain when mobile working.

2. Background and scope

Background

Since Aylesbury Vale District Council (AVDC) adopted the "Cloud Strategy" an increasing number of officers and members are using personal mobile devices (Smartphones and Tablets) as business tools to access the Council's networks. The business benefits of using Smartphones and Tablet computers to access information and applications include higher levels of efficiency and flexibility through improved access to business information and business applications from any location. This flexibility brings new challenges to AVDC in how it ensures personal information is kept secure when the systems are being accessed remotely. This review will focus on assessing the risks associated with the use of personal mobile devices to access Council information and applications together with a detailed review of mobile device policy and management practices.

Scope

This review is focused on the use of mobile devices to access Aylesbury Vale District Council's information and applications only. A detailed review of remote access methods and associated security will not be undertaken, however we will touch on some aspects of this given that remote access is a core element of AVDC's IT infrastructure.

Work Performed

Review of security policies

AVDC's information security policies offer a broad level of coverage over the risks presented by mobile devices. The Information Security policy contains a section specifically referencing mobile devices, which mandates the use of a virtual private network (VPN) when accessing information classified as Restricted. The policies also mandate that laptops and tablet devices be encrypted.

A Mobile Device acceptable use policy (AUP) also exists which governs the use of both personal and council-issued devices. The AUP covers procurement, monitoring of corporate devices, allowances for personal usage, and some provisions for issuing devices to groups of people where appropriate. However, it should be noted that the policies seen don't show evidence of review within the last year, with the most up-to-date having been approved in September 2014.

Access to systems from mobile devices

Access to systems from mobile devices is similar to access from AVDC's thin clients within the office. Applications are not stored locally, so all access to systems is conducted remotely. AVDC has shown a risk-based approach to accessing systems using a mobile device or a personal computer. Lower risk systems such as email, calendar, contacts, desk booking, telephony and self-service payroll systems all require a password to access via Citrix.

Some mobile devices come equipped with functionality to remember usernames and passwords, in order to enhance the user experience. Herein, there lies a risk surrounding unauthorised users obtaining control of a device and accessing secure content by exploiting stored passwords within the device. This risk can be mitigated by the use of device passwords, however these can only be system enforced on corporate devices; for personal devices the council is reliant on the users' decision to protect their device with a password to prevent unauthorised access.

The use of two factor authentication can effectively mitigate this risk, and this is adopted across applications which contain sensitive data such as; iTrent, iWorld, Eclipse, EAS, and Locator. Access to these systems is limited to corporate tablets only (outside of standard desktop and laptop use). Two factor authentication is handled through a system called RAG and can take the form of a mobile app, a physical token or a text messaging service.

A risk does remain across the use of email; whilst policies are in place for the transmission of sensitive data via email, it is believed that these are not stringently followed. Some sensitive documents maybe transmitted without password protection, or details may be included within the body text. Weaknesses surrounding the access of emails on personal devices without effective password protection would result in sensitive data being accessible by unauthorised users in the event of device loss.

Technology One (*Tech One*), is the new finance system which was implemented in 2015. Currently, this software, whilst hosted in Citrix, does not require two factor authentication. We understand that the use of two factor authentication was something which was considered as part of the Information Governance Group (IGG) during the implementation. It was determined that sufficient protection to the system was already afforded via Citrix hosting and the compensating controls which already exist to mitigate risk of misappropriate of Council assets via the system.

Malware

The risk of a malware infection via mobile devices adversely affecting AVDC's network is low. AVDC use thin clients when in the office, which access AVDC applications remotely rather than running anything on the local machine. The same approach is taken with regards to mobile devices. As such, risks associated with malware lie with users saving data to their local machines. Data which is saved locally may be acquired by malware, or allow a route for third parties to access this data. Laptops tend not to be issued, but any that do get issued are equipped with regularly updated McAffee anti-virus software. The same may not be said of users working from home on their own devices, which may not be protected in the same fashion.

Access and control of corporate devices

Access to corporate devices is requested by an employee's manager, who will provide details on how the device is to be used. Depending on the requirements, IT will issue an existing device or procure a new one. Once the device is issued, the user must read the Mobile Device AUP and confirm this within 5 working days, otherwise their device may be blocked. Once confirmation that the AUP has been read is received, a training record is updated and the user's Active Directory profile is updated to note that this has happened.

AVDC has two different Mobile Device Management (MDM) systems in place. The first is AirWatch, which manages AVDC's small iPad estate and allows for remote wiping of devices and for users to log in with their Active Directory credentials. The second is Intune, which is currently in the process of being deployed. Intune will manage AVDC's Windows devices and has similar functionality to AirWatch. AirWatch will eventually be phased out in favour of Intune.

Windows phones are currently managed by Exchange, which also allows for remote wipes and management of some security settings, but has limited usefulness as an MDM tool. For example, it can grant access to emails and calendars, but it can't push apps to mobile devices or ensure that they are encrypted. Intune will allow AVDC to more effectively manage Windows phones as well as the rest of the mobile device estate, including the use of an AVDC Windows app store to push apps directly to AVDC devices.

Training

Training includes e-learning modules on IT, Data Protection and Information Governance. The IT e-learning undertaken as a part of a new employee's induction includes information covering off-site working; users are asked not to save data to local drives and to encrypt sensitive data before downloading or sending. Users are informed how to access systems remotely, and what they can access with and without a two-factor authentication token.

The Data Protection and Information Governance e-learns also include aspects on mobile working, specifically on guidelines for working outside of the office, e.g. the risks of taking information outside of the office and how to minimise the likelihood that these risks lead to an information security breach. In the event of a breach, users taking the training are told where to report security incidents.

Additionally, new users must agree to the IT Acceptable Use policy; this specifies that guidelines which apply to equipment in AVDC's office equally apply to mobile devices. The Mobile Device AUP also covers policy specific to this area. A record is kept of agreements against both policies, and a user's Active Directory profile is updated to reflect that they've read and agreed to the mobile device AUP. If the AUP were to change, users would be emailed to ask for reconfirmation that they have read the policy. Beyond initial training and agreement to AUPs, there isn't any periodic update training to ensure that this knowledge remains current.

Data Loss
In respect of tablet devices; all Windows 8 devices have Bitlocker encryption in place, which will lock a device after 4 incorrect password attempts. Windows 10 devices are also encrypted, and 4 incorrect password attempts will lead to the device being wiped.

All corporate mobile phones are Windows based and have similar controls in place which allow for 4 PIN attempts before wiping the phone. In combination with staff being trained to not save data locally, this goes some way towards mitigating the risk of breach of information stored on corporate devices. However, AVDC does not have the same level of control over personal devices, and is reliant on a user implementing similar controls themselves.

No specific data loss prevention software is in place to prevent sensitive data from leaving AVDC's control environment, such as when staff email data from work to their personal accounts.

3. Detailed findings and action plan

1. Remote access to email – control design

Finding
Access to email via mobile devices is via the OWA application, which is available on both corporate and personal devices. Passwords, are stored by the device to allow for ease of access for the user. This would potentially allow for unauthorised access in the event of device loss. There is functionality within OWA which would require users to enter password / pin on every use. This is disabled by default, and one user reported that this functionality is not operating correctly when it is enabled.

Risk
Email content can be accessed without the need of a password; in the event a user's device is lost, unauthorised access could be gained. This can be mitigated by the use of a device level password requirement, however this can only be enforced on corporate devices, and not personal devices.

Action plan		
Finding rating	*Agreed action*	*Responsible person / date*
Medium	1) Communicate with Microsoft to investigate the possibility of enforcing password / passcode entry upon every access to OWA.	1) Chris Daubermann – 15/07/16
	2) Wider assessment of risk and costs of various solutions to considered as part of IT Strategy and circulated to IGG.	2) Chris Daubermann / Vishal Saini – 29/09/16
	3) Use existing forums to increase the awareness of users' personal mobile device security. Add to review of Governance Procedures Plan and table during next IGG meeting. Implementation of plan to be overseen by IGG.	3) Jackie Binning – 29/09/16

2. Saving email attachments – control design

Finding
Some staff interviewed stated that they needed to download files from OWA to access them using a mobile device. This could be because either OWA couldn't open the file natively, or because the member of staff in question had been issued a WiFi only device and was visiting a site with no WiFi. The implementation of Box to securely share files should greatly reduce the need for email attachments to share sensitive information, reducing the risk here. It should be noted however that although the mobile version of Box restricts access to downloading files, one interviewee demonstrated that accessing Box via web portal (which can still be accessed via phone) allows for downloads.

Risk
Downloading files to devices increases the risk that they can be accessed without the credentials required to use AVDC's systems. If attachments are saved, then they may be placed on personal devices, which are outside of AVDC's control environment, and could be lost or contain malicious applications.

Action plan		
Finding rating	Agreed action	Responsible person / date
Medium	1) The level of existing control, including assessment of risk verses cost, should be fully understood and then presented to the Information Governance Group for consultation of appropriateness of policy	Chris Daubermann / Maryvonne Hassall – 29/09/16
	2) Security options with Box and/or other solutions should be explored and consideration given to this risk as the IT strategy for the next 36 months is developed.	John Barter / Maryvonne Hassall – 29/09/16

3. Use of data classification and transmission of sensitive information by email – Control design

Finding
Whilst data classification polices are in existence, it has been reported that these are not always stringently followed. Policies for the transmission of sensitive data are in place, however there are no data loss prevention tools in place to enforce polices and prevent leakage.

Risk
Sensitive information could be compromised through email transmission. Coupled with the risk identified over access to emails from unsecured personal mobile devices, this represents a risk for data loss from mobile working.

Action plan		
Finding rating	*Agreed action*	*Responsible person / date*
Medium	1) Increase awareness on the use of existing data classification framework, and provide guidance on the applicable security of that data in transmission. This could be through the use of a poster campaign, combined with development of data security focussed e-learn material. Add to review of Governance Procedures Plan and table during next IGG meeting. Implementation of plan to be overseen by IGG.	Jackie Binning – 29/09/16

4. Hardware asset audits – control design

Finding
Audits of AVDC-issued mobile devices against the hardware inventory are not conducted. AVDC has a hardware inventory which is manually updated when a device is issued or returned to IT. However, there have been instances where devices have been retained by staff and not returned, with the intent that the device is passed on to somebody else. The hardware inventory is checked when a leaver form is received to ensure that the leaver returns their device, but this is dependent on the leaver process working effectively and a form being provided in all instances. Additionally one interviewee expressed that they had seen AVDC devices in the office which were not asset tagged and didn't appear to have been managed by IT. Performing an audit against the hardware inventory would allow AVDC to ascertain whether issued devices are still in use by their assigned owner, and additionally whether there are any devices which have been lost but not reported, or are being kept in storage when they should be returned to IT. Use of asset management software which is connected to the network may also allow for AVDC to identify when devices haven't been connected to the network in a particular period of time, and hence identify when devices have been lost or are otherwise going unused.

Risk
Where leavers with devices are not identified, there is a risk of non-return of corporate devices. With this comes a risk of continued access to systems via the device, and access to previously held sensitive data that may have been stored locally on the device.

Action plan		
Finding rating	*Agreed action*	*Responsible person / date*
Low	1) Improve communication channels between HR and IT; this will form part of the scope of the Integrated Service Desk 2) Consideration should be given to a "clean-sweep" exercise	Chris Daubermann (support Julie Huszcza) 31/12/16

5. Regular training updates – control design

Finding
Whilst training is provided and mandated across all mobile users, regular updates to training are not enforced. Training can help to embed good working practices, users to keep their security obligations in the forefront of mind, and increase compliance with the existing policies.

Risk
A lack of awareness in relation to an employee's security obligations heightens the risk of an information security incident.

Action plan		
Finding rating	Agreed action	Responsible person / date
Low	1) A formal training plan should be developed, complete with learning objectives which are specific to information security. Training plan, including deployment timelines should be reviewed and signed off through the IGG. Add to review of Governance Procedures Plan and table during next IGG meeting. Implementation of plan to be overseen by IGG.	Jackie Binning – 29/09/16

6. Review and update of policies – operating effectiveness

Finding
All the policies we reviewed were last updated in September 2014 at the latest, and January 2013 at the earliest. Although the content of these policies is largely sound, some information may be out of date. For instance, the Protective Marking Scheme references the Government's former Protective Marking Scheme which was replaced in 2014 and diagrams reference policies that could not be found and appear to have been rolled into other documents at some point.

Risk
If information security policies are not up to date, they communicating incorrect information to staff. This is particularly relevant when considering mobile devices, as the nature and extent of devices owned by individuals has changed dramatically over the past decade and continues to evolve. Staff may be unaware of the correct procedures to follow.

Action plan		
Finding rating	Agreed action	Responsible person / date
Low	1) A programme of work to ensure policies are up to date and then reviewed at least annually should be developed and approved by IGG. As policies are updated they should be signed off and minted as reviewed for appropriateness by the IGG. Add to review of Governance Procedures Plan and table during next IGG meeting. Implementation of plan to be overseen by IGG.	Jackie Binning – 29/09/16

Appendix 1. Finding ratings and overall assurance opinion

Findings and Recommendations are prioritised as follows:

High	An issue which requires urgent management decision and action without which there is a substantial risk to the achievement of key business/system objectives, to the reputation of the organisation, or to the regularity and propriety of public funds.
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Limited Assurance	Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high. As a guide there are mostly medium and a few high risk / priority actions arising from the review.
No Assurance	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high. As a guide there are a large number of medium and high risks / priority actions arising from the review.

Appendix 2. Terms of Reference

Mobile Devices

To: **Alan Evans, Governance and Business Support (TBC) (Audit Sponsor)**

Cc: **Andy Barton, Governance Lead**

From: **Kate Mulhearn, Business Assurance Manager**

Background

Since Aylesbury Vale District Council (AVDC) adopted the "Cloud Strategy" an increasing number of officers and members are using personal mobile devices (Smartphones and Tablets) as business tools to access the Council's networks. The business benefits of using Smartphones and Tablet computers to access information and applications include higher levels of efficiency and flexibility through improved access to business information and business applications from any location.

This flexibility brings new challenges to AVDC in how it ensures personal information is kept secure when the systems are being accessed remotely. This review will focus on assessing the risks associated with the use of personal mobile devices to access Council information and applications together with a detailed review of mobile device policy and management practices.

Key Risks

There are a number of key risks associated with the use of mobile devices including:

- Poor controls over mobile devices resulting in loss of sensitive data, computer virus infection, or unauthorised access to company networks;

- Unauthorised individuals may use a mobile device owned by an employee to gain unauthorised access to sensitive company / organisation information;

- Non-compliance with regulatory requirements for organisations subject to specific privacy and security regulations (including the Data Protection Act);

- Infection of the Council's network with computer viruses and malware resulting in service disruption, loss and theft of data;

- Loss of sensitive data (both personal and corporate); and

- Inappropriate use of mobile devices resulting in productivity and HR issues.

Control Objectives

- Establishing that documented policies and procedures are in place over the use and day to day management of mobile devices

- Officers have been trained and are aware of their responsibilities with respect to the use of mobile devices

- Ensuring that robust management practices are in place with respect to mobile devices

- Ensure that appropriate technical controls are in place to protect the Council's networks and data

Scope of Work

Areas requiring technical competency are marked with [Tech]

- Review the security policy in order to establish that it specifically covers the use of mobile devices and explicitly defines the controls and processes that must be followed;

- The extent and quality of training given to officers on the use of mobile devices;

- Understand what specific types of mobile devices are permitted to access the network *(High Level non technical)*

- Identify how mobile devices are controlled including:

    o The responsibilities for the management of mobile devices;

    o How permission to use mobile devices is granted;

- Determine how the threat of malware and computer virus infection from the use of personal mobile devices is mitigated *(High Level non technical).*

- Identify what applications and data individuals can use or access with mobile devices; and

- Establish what controls are in place to prevent data loss, control what data is stored on mobile devices and how unauthorised access to sensitive information on the corporate network from mobile devices is prevented *[Tech]*.

Limitations of Scope

This review is focused on the use of mobile devices to access Aylesbury Vale District Council's information and applications only. A review of remote access methods and associated security will not be undertaken.

Audit Approach

Our audit approach is as follows:

- Obtain an understanding of polices, processes and controls relating to Mobile Devices through discussions with key personnel, review of systems documentation and walkthrough procedures;

- Review policies to establish their relevance to mobile working

- Interview personnel; understand the extent of knowledge of policies relating to mobile devices.

A report detailing any weaknesses identified together with recommendations for improvement will be presented to Management.

Audit Team

The review and draft report will be completed by external specialists from PwC under the direction of the Business Assurance Manager.

Matthew Handy   IT Security Audit Manager (PwC)

Adam Raine   IT Security Senior Associate (PwC)

Timetable

Fieldwork   March 2016
Final report   April 2016

Internal Audit Report

2016 / 17

Vale Lottery

FINAL   July 2016

Contents

This report has been prepared only for Aylesbury Vale District Council (the Council), in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation that may be considering setting up their own lottery arrangements. The Business Assurance Manager of AVDC should be consulted before any content is shared.

Distribution List

For action   Caroline Wheller

                      Andy Barton

For information   Andrew Small – Director

Assurance Officer – Doug Gray

Business Assurance Manager – Kate Mulhearn

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1. Executive summary

Report classification*	Total number of findings			
		High	Medium	Low
Low risk (1 point)	Control design	-	-	1
	Operating effectiveness	-	-	-
	Total	**-**	**-**	1

*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings has been updated for 2016/17 and is set out in Appendix 1.

Summary of findings

The audit review focussed on 4 key areas of control, the summary findings of each are set out below. These areas were identified at the planning stage as being key to ensuring that the lottery is being operated effectively and in compliance with the Gambling Act, specifically the regulations around operating society lotteries.

At the time of this review the lottery has been running for approximately 7 months.

Governance / Legislation - The operating model chosen for Vale Lottery utilises the expertise of a company, Gatherwell Ltd, that specialise in operating society lotteries. Gatherwell have provided support throughout the relatively quick set-up, which was facilitated by the Council having instant access to their existing on-line platform. The platform creates transparency in the process and potentially a higher degree of confidence from players and community groups. Also the overheads are minimal and compliance with the Gambling Act is assured. During our review, we did not identify any aspect of the legislation around operating society lotteries that is not being met.

The arrangement with Gatherwell is formal and responsibilities are set out in a contract. Whilst the general operations are managed by Gatherwell the Council has consciously retained control over some aspects of the process, such as approving applications from good causes.

During the set-up, the Council established the risks to operating a lottery and this fed into the creation of the business case and helped the

decision making process. We have raised a recommendation around ensuring the ongoing management of risk by creating a central Risk Register where risks can be routinely reviewed and updated. We found that whilst the risks are being considered, managed and mitigated in an effective way, this isn't always evident because they are not documented.

Financial transparency / Daily operation of the lottery - The online platform also allows the Council to maintain control and oversight of the financial transactions and trends. The website allows interaction between the Council and Gatherwell and also with the community organisations and players. The operating model chosen returns 58% (risen to 60% from June 16 onwards) to good causes. See Appendix 3 for how the ticket sale income is split.

There is no restriction on any organisation applying to become part of the Vale Lottery as long as they can demonstrate that they benefit the local community. However, there are mandatory terms and conditions that the organisations must be able to demonstrate that they comply with before being allowed entry and we found that the vetting processes is applying this criteria before being accepted.

Performance management - As at the date of this review the Vale Lottery is on track to return £61,000, spread across the 118 selected community organisations, an average £517 each. A further £24,000 is predicted this year for distribution to other community based organisations. This 'better than expected take up' has meant that the Jackpot has been increased to £25,000 from £20,000, within the first year of the lottery's operation. AVDC has full access to the online portal where performance reports are obtained. This allows for complete transparency and control over the operation of the lottery. The Lottery is only 7 months into its first year of operation so formal reporting hasn't taken place but our expectation is that an annual review will take place towards the latter part of 2016/17.

Overall, we found the processes and controls operating over the Vale Lottery to be adequate to ensure that the Council is operating effectively, with transparency and in compliance with the Gambling Act. At this time, the volume and value of transactions is still relatively small. If the lottery were to grow considerably, the adequacy of existing arrangements will need to be reviewed again and consideration given to level of resource available to manage the day to day operations.

Management comments

2. Background and Scope

Background

This review of the 'Vale Lottery' forms part of the 2016/17 audit plan of work that was agreed by the Audit Committee.

The lottery started in 2015, with the objective of financially supporting local community projects, organisations and causes. Subsequently the Council had to become a licence holder under the Gambling Act 2005.

The objective of this review is to provide assurance that AVDC is operating the Vale Lottery effectively, with transparency and in compliance with the Act.

The Council appointed an external partner to operate the lottery function on its behalf. This type of company is referred to, by the Gambling Commission, as an 'External Lottery Manager' (ELM). The Council remains ultimately responsible for ensuring that the lottery is conducted in a lawful way and in the spirit of why it was set up.

Scope

The planned scope and methodology for this review is set out in Appendix 2.

The review has considered the set up processes that occurred in 2015/16 and assessed the ongoing processes and controls that have been operating in recent months during 2016/17.

3. Detailed findings and action plan

1. Risk Register

Finding
The Business Case / Justification report dated September 2015 included an assessment of the risks associated with operating a lottery, at that time.

Ongoing risk management provides insight into the external influences that could damage the reputation of the lottery or could result in AVDC losing its operators license. The ongoing risks have not been captured in a 'Risk Register' and there is no evidence that all types of risk are being managed routinely.

It should be noted that during the review we have not identified any risks that are not being mitigated in some way, but there is a reliance on the knowledge of the individuals operating the lottery and lack of documentation to support processes.

The popularity of the Vale Lottery is increasing and as such the returns to community organisations will grow. Certain community organisations will potentially become reliant on that income stream so the importance of monitoring the risks only increase as a result.

Risk/s
Failure to manage risk could have an instant and direct impact on the funds being distributed.

Action plan		
Finding rating	Agreed action	Responsible person / title
Low	Create a Risk Register for the Vale Lottery.	Caroline Wheller, Andy Barton
	Routinely monitor those risks and ensure that there is sufficient controls and mitigation strategies in place.	*Target date*
		31 July 2016

Appendix 1. Finding ratings and basis of classification

Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Overall report classification		*Points*
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual finding ratings

Finding rating	Assessment rationale
Critical	A finding that could have a: • **Critical** impact on operational performance; or • **Critical** monetary or financial statement impact **[quantify if possible = materiality]**; or • **Critical** breach in laws and regulations that could result in material fines or consequences; or • **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • **Significant** impact on operational performance; or • **Significant** monetary or financial statement impact **[quantify if possible]**; or • **Significant** breach in laws and regulations resulting in significant fines and consequences*; or* • **Significant** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • **Moderate** impact on operational performance; or • **Moderate** monetary or financial statement impact **[quantify if possible]**; or • **Moderate** breach in laws and regulations resulting in fines and consequences; or • **Moderate** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • **Minor** impact on the organisation's operational performance; or • **Minor** monetary or financial statement impact **[quantify if possible]**; or • **Minor** breach in laws and regulations with limited consequences; or • **Minor** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2. Terms of Reference

Control Objectives

This review will assess the controls that are operating in the following areas.

- **Governance and Legislation –** Responsibilities and Accountabilities between AVDC 'the Council' and the 'ELM' are clearly stated and applied. The principles of the Gambling Act are fully complied with.

- **Financial Transparency** – All proceeds, expenditure and disbursements are accounted. Disbursements to community organisations are made in a timely and accurate way. There is due diligence over the approval of new community organisations that apply.

- **Day to Day Operation** - There are robust controls throughout the day to day processes that ensure the lottery is run consistently and in accordance with its stated aims. Processes are in place that prevent and detect fraud.

- **Performance Management** – Performance targets are set and actual performance is measured against those. Outturn performance is being routinely reported throughout the year to Corporate Board and Cabinet Members for Transformation and Communities.

Methodology

Our audit approach is as follows:

- Obtain an understanding of the processes that are currently operating through discussions with key staff, review of documentation and testing of the processes.
- Identify the key risks and establish that they are mitigated.
- Evaluate the design of the controls in place to address the key risks and test, where appropriate, the operating effectiveness of the key controls.

Appendix 3. Split of proceeds from ticket sales

% Split of the £1 ticket

- Good Causes (specified) — 50%
- Good Causes (un-specified) — 8%
- External Lottery Operator Charge — 18%
- VAT — 4%
- Prize Fund — 20%