



## **EPSOM AND EWELL BOROUGH COUNCIL**

### **Internal Audit Progress Report**

**Audit, Crime & Disorder and Scrutiny  
Committee Meeting**

**June 2016**

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.

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# 1 INTRODUCTION


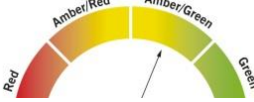
This report provides a conclusion on progress against the 2015/16 internal audit plan and summarises the results of our work.

Our work on the approved internal audit plan for 2016/17 has commenced, with dates for the completion of audit fieldwork agreed with management. No reports have been issued to date.

## 2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignments that have been finalised and the impacts of those findings since the last meeting of the Audit, Crime & Disorder and Scrutiny Committee held.

The Executive Summary and Key Findings of the assignments below are attached to this progress report at Appendix B.

Assignment	Assurance	Management Actions agreed		
		High	Medium	Low
Green Waste Income (13.15/16)		-	2	1
Software Licensing (16.15/16)		-	4	2

## 2.1 Impact of findings to date



To date there are no areas that we need to bring to your attention as adversely impacting on our annual opinion.

Overall the level of findings and recommendations is low and management actions are being responded to in a timely manner.

### 3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2015/16	Status
Performance Management and Delivery of Corporate Plan	Quarter 4	Draft report issued (17.15/16)
Facilities Management	Quarter 3	Report now issued – 1.16/17 Undertaken by contract specialist.
Data Quality	Quarter 3	Fieldwork now completed, draft to be issued

## 4 OTHER MATTERS

### 4.1 Changes to the audit plan

There have been no further changes to the plan.

## 4.2 Added value work

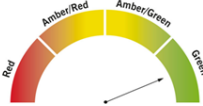

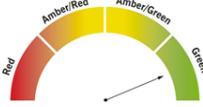
We have undertaken the following added value work in 2015/16.

Area of work	How this has added value
Our audit of project management and contract management were undertaken by a specialist in this area.	Our audit has provided the Council with a greater level of skill in these areas which has resulted in areas for management attention which may not otherwise have been determined. These reports are currently in draft for management review.
The combined review of facilities management, risk management, governance and procurement into one audit focusing on the governance, risk management of the facilities management contract in operation.	This review has been undertaken by a specialist to provide guidance as to the suitability of the contract, the adherence to contract terms and any potential for the council to obtain better value from the detail of the contract.



# APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Assignment	Opinion issued	Actions agreed		
		H	M	L
Attendance (1.15/16)		-	1	1
Recruitment (2.15/16)		-	1	5
Review of Anti-fraud and Anti-bribery Arrangements (2013/14) (3.15/16)	Advisory	1	5	3
Cash Handling (4.15/16)		1	3	2
Venues (5.15/16)		-	1	1
Information Governance (6.15/16)		-	2	8
Property Maintenance 7.15/16		1	1	2
PCI Compliance Control Framework (8.15/16)		3	6	-
Project Management Advisory review (9.15/16)	Advisory	-	7	-
Contract Management Advisory Review (10.15/16)	Advisory	-	7	-
Car Park Income (11.15/16)		1	1	1

Fleet Management (12.15/16)		-	-	2
Payroll (14.15/16)		-	1	3
Capital accounting and fixed assets (15.15/16)		-	-	-

## APPENDIX B: EXECUTIVE SUMMARIES

<b>Assignment: Green Waste Management (13.15/16)</b>	<b>Opinion:</b>	<b>Amber Green</b>
<p>The key findings from this review are as follows:</p> <p><b>Design of Control Framework</b></p> <ul style="list-style-type: none"> <li>a) There is not a standard procedure for chasing non-payment of subscriptions for green waste collections. There is a risk that a lack of adequate chasing will mean that services continue to be provided without payment.</li> <li>b) When a green waste subscription account expires a letter is sent to the customer in order to prompt renewal. If there is no response the individual is phoned and the account is either renewed over the phone or cancelled. However the timescales for actually cancelling an account were not clear from the process notes and testing undertaken on cancelled accounts. After reminder letters have been sent out, we found that the approach to further chasing subscriptions is ad hoc and at the individual Customer Service Administrator's own discretion. We found evidence where one account subscription was not cancelled until 7 months after the end date and another 3 months, although this account was on the stop list and collections should have stopped. There is a risk of an inconsistent approach to the cancellation of subscriptions resulting in individuals receiving green waste services without payment for extended periods of time. From analysis provided we found that there are 10,989 active green waste accounts in total and of these 670 accounts are being pursued for payment (estimated value £15K - £20K). In respect of these unpaid accounts: <ul style="list-style-type: none"> <li>o 437 have been through the follow up process and are now on the 'Stop List', so are not receiving a service and are awaiting bin recovery.</li> <li>o 233 are currently in the follow up process for October, November and December 2015.</li> </ul> </li> <li>c) Ideally a pre requisite for joining the scheme would require customer to sign up to a direct debit payment method, thus negating the requirement to annually chase non-payment.</li> </ul> <p><b>Application of the Control Framework</b></p> <ul style="list-style-type: none"> <li>d) When an account has been cancelled the individuals on the renewal list are transferred manually onto the 'stop list' by a member of the Customer Services Team. It was noted from our sample that there were four accounts that had been cancelled and were present on the 'stop list' but on the CRM they were still 'active'. On further investigation it became clear the Customer Services Team keep an account active in order to prevent another bin being sent to the individual if the account is renewed in the future. There is a risk the information on the CRM system is not reflective of the green waste services provided by the Council and that services are being provided without received payment.</li> </ul> <p><b>Well-designed controls being applied effectively</b></p> <ul style="list-style-type: none"> <li>e) Fees and charges for garden waste income are reviewed annually by management. Garden waste fees and charges form part of the schedule of fees ratified by the Environment Committee prior to the start of the financial year. Fees and charges for the collection of green waste were proposed and ratified at the meeting on 20 January 2015</li> <li>f) Once subscription fees are agreed by the Council the rates are updated on the Council's website. We found that the fees detailed on the Council's website are accurate as per the schedule of rates agreed upon by the Council.</li> </ul>		

g) Subscriptions are required to be paid annually in advance of the service starting or at the renewal date. For a sample of 15 accounts we found that payment was received prior to the collection service being started.

h) Customer details are entered into the CRM system including their payment method/details (Direct Debit, cash or cheque), and the particular green waste collection service they are paying for. For a sample of 15 payments in respect of on-going and new subscriptions we found that the payments agreed to the schedule of rates agreed.

i) Actual income to budgeted income monitoring is carried out on a monthly and quarterly basis. We were provided with monthly and quarterly monitoring reports of green waste income. Any variances in income were explained and detailed on the monitoring spread sheet. Income was on target for the current year. These figures were reported to the Environment Committee.

j) On a monthly basis Customer Services record the level of responsiveness (account renewals) to renewal letters sent out for Green Waste accounts. We found the renewal monitoring spreadsheet was being regularly maintained by the Customer Services Team, with level of responsiveness is regularly above 90%. Payment methods are broken down and analysed into direct debit, cash and cheque.

	Agreed Management Action	Implementation Date	Manager Responsible
1	Clear timescales will be put in place for the cancellation of green waste subscriptions (20 days) after the initial reminder letter and phone call have been made to the customer. Medium	01/04/16	Joy Stevens – Head of Customer Services
2	It was agreed the green waste debt recovery procedure will be brought in alignment with that used by the Council, as detailed below:  Reminder 1 - 21 days Reminder 2 - 14 days ( in addition) Reminder 3 - 7 days ( in addition)  If payment is not made after reminder letters have been issued the outstanding debt is passed onto the Council's legal department. Medium	01/04/16	Joy Stevens – Head of Customer Services
3	The Customer Services Team will make this an annual process that takes place in order to collect customer's bins and update the CRM system on the bins recovery. Low	01/04/16	Joy Stevens – Head of Customer Services

<b>Assignment:</b> Software Licensing (16.15/16)	<b>Opinion:</b>	<b>Amber Green</b>
<p>The key findings from this review are as follows:</p> <p>The following key software licensing controls have been designed:</p> <ul style="list-style-type: none"> <li>a) The Council has an Information Assurance Policy in place which covers the process for requesting software thus reducing the risk of software being installed without authorisation.</li> <li>b) The ICT Security and Acceptable Use Policy has been published which stipulates various rules with regards to software. All new starters are required to sign a form agreeing to abide by the ICT Security and Acceptable Use Policy, reducing the risk that staff breach licensing agreements.</li> <li>c) Council workstations have been locked down / restricted in order to prevent users from installing any new software. Where external media, such as USB sticks or external hard drives are connected to any computer, this is initially blocked by the McAfee Endpoint software and must be authorised by ICT before it can be used. This reduces the risk of unauthorised software being installed on computers.</li> <li>d) iPads are managed using XenMobile software and users are unable to install any new apps without an admin password. Blackberry mobile phone devices are managed using specific Blackberry software which enables for phones to be locked down. This prevents unauthorised applications being installed by staff on mobile devices.</li> <li>e) All physical licence keys and agreements are retained in a locked cabinet within the ICT department. Where licence information is in electronic format, it is either stored on a restricted shared drive which only ICT staff have access to, or the Inventory Database (licence keys are stored in the notes). This prevents unauthorised staff gaining access to this information.</li> </ul> <p>We, however, identified the following weaknesses in the design of the control framework:</p> <ul style="list-style-type: none"> <li>f) The Council does not have a dedicated Software Management Policy in place. This may result in an inconsistent approach to the management of software by the Council.</li> <li>g) There is an inconsistency between the Software Licences procedure and the flowchart whereby the procedure document does not detail step 10 of the flowchart for procuring new software. Moreover, there is no reference to the Council's procurement policy with regards to number of quotes needed etc. based on value, when procuring software. Inconsistent procedures increase the risk that software is not procured in accordance with Council procurement requirements.</li> <li>h) We also noted that the Software Licences procedure and flowchart do not make reference to the checking of existing software and licences for potential redeployment before a new request purchase is made. This increases the risk of unnecessary costs and a waste of resources through over licensing where software licences procured may not be not utilised.</li> <li>i) The software Inventory Database does not record licence expiry dates. Without licence end dates being recorded against software (where applicable) there is an increased risk of software being used that is not legally licensed, which could result in fines for the Council.</li> <li>j) There is no periodic spot/audit check of software licences carried out. The failure to undertake software audits to ensure that it has a valid licence for all software installed on Council devices increases the risk that the Council could liable to legislative penalties for using unauthorised software.</li> </ul> <p><b>Application of and compliance with control framework</b></p> <ul style="list-style-type: none"> <li>k) We confirmed by testing a sample of 5 new starters in 2015/16 that in all cases, the starters had signed to confirm that they agree to abide by the ICT Security and Acceptable Use Policy. This reduces the risk that staff are unaware of the software licensing requirements.</li> </ul> <p>However, we did identify one area for management attention</p> <ul style="list-style-type: none"> <li>l) We tested 13 software purchases made in 2015/16 and identified seven that had not been recorded on the database. Without an up to date inventory of software the risk of software being used that is not legally licensed increases, which could result in fines for the Council.</li> </ul>		

	Agreed Management Action	Implementation Date	Manager Responsible
1	The job descriptions of ICT staff will identify software management responsibilities (including software licensing). Low	May 2016	Head of ICT
2	The Council will amend the existing ICT Acceptable Use Policy to cover information such as: <ul style="list-style-type: none"> <li>▪ The management of the software inventory database;</li> <li>▪ The differing licence requirements for beta versions, demonstration software and freeware; and</li> </ul> The undertaking of regular periodic audits on software. (Medium)	September 2016	Head of ICT
3	The Software Licences procedure and flowchart will be updated to ensure all steps of the process are included and consistency is maintained with the Council's procurement requirements.  Furthermore, the procedure and flowchart will be updated to stipulate that IT staff receiving service requests for new software and licences should check whether existing software may be redeployed and licences re-used.  Following this, the procedure and flowchart will be subject to approval by an appropriate authority. Medium	March 2017	Head of ICT
4	The Council will ensure that where relevant, licence expiry dates are recorded for software. Medium	March 2017	Head of ICT
5	Going forward, the Council will undertake a periodic audit/spot check of the software inventory to verify accuracy; the inventory should be reconciled to procurement records.  Furthermore, where software is no longer used by the Council, this will be removed from the Inventory Database. Medium	March 2017	Head of ICT
6	The Council will review and introduce this through the ICT Briefings as part of the ICT Shared Service. Low	March 2017	Head of ICT

## FOR FURTHER INFORMATION CONTACT

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