



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Progress Report

Audit, Crime & Disorder and Scrutiny
Committee Meeting

20 June 2017

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1 INTRODUCTION

The Internal Audit Plan for 2016/17 was approved by the Audit, Crime & Disorder Scrutiny Committee in April 2016.

This report provides a summary update on progress against that plan and summarises the results of our work to date.

2 FINDINGS CONSIDERED AT THIS AUDIT COMMITTEE

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

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
Commercial Rental Income (16.16/17)	Substantial	-	-	1
Revenues (18.16/17)	Substantial	-	-	-
Procurement (19.16/17) –	Partial	3	6	1
Allocations, Lettings and Voids (15.16/17)	Reasonable	-	3	2
Payroll (11.16/17)	Reasonable		2	4
Lintons Lane (17.16/17)	(Advisory)	-Advisory findings only		
Procurement Of Agency Staff (22.16/17)	Reasonable	-	3	3
Data quality (21.16/17)	Partial		4	1
Benefits (20.16/17)	Substantial	-	-	3

3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Booking system and income collection / Emergency planning and civil contingencies / Delivery of the local plan / Grant reviews / Property management	Q1	Work in progress on Q1 scheduled audits from 17/18 Plan

4 OTHER MATTERS

4.1 Changes to the audit plan

Other than some timing changes, there are no changes to the plan proposed at this time.

4.2 Added value work

Our contract risk specialist undertook the review of the Facilities Management contract (1.16/17) which was at the request of management.

4.3 Client Briefings

We have issued the following briefing which is appended to the bottom of this report:

- Is your business GDPR ready

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Reports previously seen by the Audit Committee and included for information purposes only:

Assignment	Assurance	Management Actions agreed		
		High	Medium	Low
Facilities Management Contract Review (1.16/17)	Advisory review	Advisory findings only		
Cash Handling (2.16/17)	Reasonable assurance	-	1	2
Data Quality (15/16) (3.16/17)	Reasonable assurance	-	1	2
Housing Rent Accounting and Reconciliation (4.16/17)	Partial assurance	-	3	3
Workforce Planning (5.16/17)	Advisory review	Advisory findings only		
Implementation of Business Performance Review actions – Democratic Services (6.16/17)	Reasonable assurance	-	1	2
Grant audits	Complete – no report required			
Building and Planning Control (7.16/17)	Reasonable		1	4
Corporate Governance (8.16/17)	Substantial		-	-
Risk Management (9.16/17)	Reasonable		1	2
Creditors And Ordering (10.16/17)	Substantial		-	1
Barrier Controlled Parking Project - Implementation Review (12.16/17)	Advisory	Advisory findings only		
PCI Compliance (13.16/17)	Partial Assurance	2	1	1
Financial Management & Main Accounting (14.16/17)	Reasonable		1	1

APPENDIX B: EXECUTIVE SUMMARIES

Assignment: Commercial Rents (16.16/17)	Opinion:	Substantial
<p>The key findings from this review are as follows:</p> <p>Design of the Control Framework</p> <ul style="list-style-type: none"> We found that the Property and Legal Team store all contracts and related contractual information on paper files. There is a risk that without an electronic backup in the event of a fire, theft or loss the documents cannot be recovered by the Council. <p>Application of the Control Framework</p> <ul style="list-style-type: none"> Within our testing we examined one significant debt of £73,152.11, disputed by the tenant in respect of commercial rent due for the Ashley Centre. The dispute dates back to 2008 and relates to the complex calculation of the 'Head Rent' and allowed deductions according to the agreed lease. We have been informed by officers that this has now been resolved and that a repayment plan will begin in 2017/18. <p>Well Designed Controls being Applied Effectively</p> <ul style="list-style-type: none"> The budget for the Commercial properties team is set along with the Council's annual budget. We found that the annual budget for this year had been approved by the Council on 11th February 2016. On a monthly basis the Head of Property receives a monthly budget report. The Head of Property will perform a high level review to look for unusual variances. Formal monitoring occurs on a quarterly basis however as identified in the Financial Management and Main Accounting audit quarterly budget monitoring hasn't effectively been taking place since Q1. We were provided with examples of the monthly budget reports sent to the Property Team. When a Commercial property is let by the Council a contractual agreement is put in place. The contract outlines the terms of the agreement between the lessee and the Council. Both parties formally sign the contract. For a sample of 15 properties we found that an up to date contract was in place and it had been signed by both the Council and the lessee Contract details are manually entered into the 'live property spreadsheet' by the Interim Estates Surveyor. The spreadsheet is then consequently used to monitor rent review and lease renewal dates. We found that for a sample of 15 properties that detail as per the contracts had been correctly added to the spreadsheet. A Lease Event Diary is currently used to log lease events. This is updated regularly by the Interim Estates Surveyor at the Council and used to identify where rent reviews are due. We found for a sample of review dates on the 'live property spreadsheet' that these had all been correctly transferred to the 'log lease events spreadsheet'. Lease rent review and renewal dates are specified within the contracts held by the Council these are transferred onto the two monitoring spreadsheets used by the Property Team. We found that for our sample of properties selected specified rent reviews had been carried out. The commercial property portfolio is relatively small and all pertinent tenancy details are recorded on an excel spreadsheet which is kept updated by the Head of Property Services and the Interim Estates Surveyor. Weekly one to ones are held by the two members of the Property Team to identify any issues. As a result formal performance formal monitoring is not carried out by the department. The debt recovery process is carried out by the Finance Team at the Council in line with the Council's policy. We found that there currently two outstanding payments due to the Council (with exception with the Ashley Centre). One 		

has been outstanding since June 2010 however legal action was taken by the individual and a repayment plan is in place. The other company payment has been outstanding since October 2016, and similarly a payment plan is in place.

	Agreed Management Action	Implementation Date	Manager Responsible
1	The Property Team will investigate the feasibility of moving an electronic copy of contractual information onto the organisations network in the future as the Council's property portfolio grows. (Low)	Q4 2017/18	Mark Shephard – Head of Property

Assignment: Revenues (18.16/17)	Opinion:	Substantial
<p>The key findings from this review are as follows:</p> <p>Well Designed Controls being Applied Effectively</p> <ul style="list-style-type: none"> Reconciliation of the Council's revenue system (Academy) to the general ledger is carried out on a monthly basis. Our sample testing confirmed that the reconciliations were completed in full and the transaction totals between Academy and the general ledger agreed. Each reconciliation was prepared by the Revenues Manager before being authorised by a Finance Officer. An email trail exists to evidence this authorisation process. Academy is reconciled to the cash receipting system and banking records for online banking and Giro payments on a daily basis. We found the reconciliation of cash receipts was completed the following day in all cases sampled. In each case, we confirmed that reconciliations were produced in a timely manner, totals for each reconciliation balanced and reconciliations were prepared by one member of the Revenues Team before being authorised by the Revenues Manager. Amendments to council tax records for properties are entered on Academy as per the VOA (Valuation Office Authority) reports as they are received. We reviewed a sample of amendments finding that they were correctly updated on to Academy in a timely manner and weekly reconciliation reports were signed by the Revenues Manager. Amendments to NNDR records for the rateable value of properties are entered on Academy as per the VOA (Valuation Office Authority) reports as they are received. We reviewed a sample of changes to rateable value finding that they were correctly updated on to Academy as per the government website, and weekly reconciliation reports were signed by the Revenues Manager in a timely manner. The correct rates of Council Tax for 2016/17 were approved at the Full Council committee meeting on 11 February 2016. Once the council tax rates have been agreed the newly approved parameters are uploaded to Academy. Screen prints from the system are subsequently printed and reviewed by the Revenues Manager to ensure the uploaded parameters are correct. We found that the Revenues Manager had reviewed the newly uploaded parameters in a timely manner prior to the start of the financial year and a signature was in evidence. Every week a refund report is produced. Refunds often occur when the occupant moves property either within the borough or outside of it, and their council tax liability ends on the original property. We found that for a sample of five weeks a refund report had been produced and reviewed by the Revenues Manager. For a 		

sample of refunds from a variety of weekly reports, we confirmed that each refund value on Academy matched that on the weekly report and each refund was adequately supported with evidence supporting the reason for the refund.

- A variety of discounts and exemptions are offered by the Council to reduce an individual council tax burden if the relief applies to them. Single person discounts and second home reduction are given on the basis of signed declarations. Third party documentation is required to support severe mental illness, student disregards etc. We reviewed a sample of ten discounts and exemptions, finding them to be appropriately applied.
- Reliefs are applied on application where qualifying conditions are met, such as for charities, and for those businesses that qualify for small business rate relief. For a sample of organisations subject to business relief we verified that all had the required backing documentation on file and the value of the relief had been correctly applied on Academy.
- We reviewed a sample of accounts in arrears and in each case we confirmed that reminder letters and final notices were sent in a timely manner and all accounts were escalated to summons and liability orders where necessary.
- We reviewed internal key performance indicators spreadsheets maintained and recorded by the Revenues Manager, finding them to be complete and target-focused. These spreadsheets document the percentage of total council tax/NNDR receipts collected.

	Agreed Management Action	Implementation Date	Manager Responsible
	No Actions		

Assignment: Procurement (19.16/17)	Opinion:	Partial
<p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> • The strategic ambition for the procurement function is satisfactorily set out in the Council's Corporate Strategy. At the time of the audit this strategy was in draft format, shortly to be finalised. This document outlines a framework of control for the procurement function through the application of the following key principles: <ul style="list-style-type: none"> ○ Securing the best goods and services available, appropriate to its needs at the best price; ○ Following fair and proper evaluation and selection of suppliers; ○ Compliance with the UK legislation and EEBCs own policies and regulations. <p>It is aligned with corporate priorities to maximise resources and maintains that it is an essential contributor to the achievement of its vision through coordinated, efficient and focused procurement activity</p> • An action plan that supports the strategy is based on an accurate gap analysis of controls in place. We note however that a number of the intended actions require further detail and scope and must be prioritised to address the higher risks associated with the on-going development of the procurement function. .An action has been agreed with officers to progress this observation. • The Constitution of the council contains the organisation's Financial Regulations and Contract Standing Orders (CSO). These outline the rules which govern the way the Council procures its goods and services. We satisfactorily confirmed that these orders are clearly defined and intend to :- <ul style="list-style-type: none"> ○ obtain Best Value for EEBC; ○ comply with UK and EU laws that govern the spending of public money; 		

- protect individuals from undue criticism or allegation of wrongdoing by ensuring that all officers act with independence and integrity;
- Provide process controls for varying financial thresholds of procurement.
- It is intended that governance and scrutiny of the function will lie with the Leadership team and Governance Group. There would however be merit in a dedicated forum with wider representation (a Corporate Procurement Board - CPB). A CPB would improve assurances that there is corporate commitment to a focussed organisational procurement culture and would mitigate the risk of the procurement function being isolated within the Finance team. A CPB would have oversight of the procurement function and would report directly to the Senior Management Team. Officers have agreed to examine further how such an arrangement would potentially work.
- Going forward key procurement controls will be managed through the ProContract software. This software is a cloud-based procurement system designed to streamline and standardise the procurement process across the organisation and is designed to provide compliance for relevant procurement legislation and local CSO's. The e-Tendering module forms the basis of the system and provides a complete electronic trail of the contract invitation, tender opening and award processes. We confirmed that key documents are linked into and archived within the system. All significant activity is captured by the system and we examined evidence of an audited user trail with time-date stamp recorded.
- The ProContract software is populated with contract detail as and when it is procured through the e-tendering module and provides the basis for the contracts register. This is still work in progress and the current basis for the contracts register is a pre-existing spreadsheet. .
- We satisfactorily confirmed that the contracts register is being refreshed and redrafted. We identified areas of significant spend with 10 suppliers identified from a report extract produced from the Creditors system. We sought confirmation that contracts were in place with these suppliers and that they were listed within the Contracts Register. We identified 3 suppliers from this sample that are not in contract with EEBC and are not recorded within the current register. Officers have undertaken wider testing and similarly identified areas of historic significant procurement spend with suppliers that are not in contract. Officers will prepare an Action Plan to ensure that areas non-compliant with CSO are market tested and are recorded for future scrutiny.
- Work is on-going to draft guidance and prepare a dedicated intranet web page to guide staff through the procurement process and to flag corporate assistance that is available. We noted 2 observations that may require further clarity in the guidance
 - The importance and requirement to record all procurement through the ProContract system;
 - Those thresholds where a formal tendering process starts.
- From our discussion with Finance staff processing creditor transactions we understand that only an estimated 25% of transactions are currently supported by an official purchase order. The absence of written official orders weakens commitment accounting, evidence of a controlled procurement process and assurances of compliance with Financial Regulations. It is anticipated that full electronic invoice processing and workflow management will drive improvements in this area. Officers are committed to exploring further the potential for introducing such a system but at this time it remains a medium term goal.
- A dashboard of indicators is required to indicate the health of the procurement function going forward. We have listed some potential performance indicators in the agreed actions contained within this report.
- Going forward good governance and assurance would be improved from annual reporting to the Leadership Team on the performance and development of the procurement function. Additionally there is currently limited reference to procurement risk within the Leadership and Service risk registers. Actions have been agreed with officers to progress these issues

	Agreed Management Action	Implementation Date	Manager Responsible
1	<p>Officers have agreed to include further detail within the prioritised action plan :</p> <p>To Identify key areas of procurement activity non-compliant with Contract Standing orders and Policy and scheduling market testing in the short to medium term;</p> <p>Identifying key time lines for contracts that are up for renewal in the next 3 years and ensure responsibility and action of renewal are scheduled and monitored;</p> <p>To create and maintain a monitoring model to quickly identify maverick spending and areas of non-compliance</p> <p>Maintaining key performance indicators.</p> <p>(Medium)</p>	Sept 17	G McTaggart
2	<p>In order to strengthen governance arrangements and corporately embed effective procurement within the organisation's culture a Corporate Procurement Board (CPB) will be considered.</p> <p>The CPB would have a role in scrutinising and challenging the function with representation across the organisation and would monitor inefficient maverick spend.</p> <p>Clear ToR need to be determined for the group that will meet on at least a quarterly basis.</p> <p>(Medium)</p>	Sept 17	G McTaggart
3	<p>Guidance available to staff will make clear that all procurement activity over £5K must be recorded on the pro- contract system. In addition the quick guide table will make clear the threshold for formally tendered, specified works.(Low)</p>	July 17	G Mctaggart
4	<p>Officers will continue to explore options for full electronic invoice processing and workflow management which will drive improvements in this area and ensure the use of official purchase orders going forward. (Medium)</p>	2018/2019	G McTaggart / Lee Duffy
5	<p>Officers will prepare an Action Plan to ensure that areas non-compliant with CSO are market tested and are recorded for future scrutiny.</p> <p>In the short term authorised waivers will be registered with the Procurement Manager for future monitoring purposes. Entries within the waiver register must make reference to the intended action time frame for competitive market testing.(High)</p>	Sept 17	G McTaggart

6	<p>Consideration will be given to a wide breadth of performance monitoring for the function. The use of all or a subset of the following may provide more insight as to the efficiency and effectiveness of the Procurement function:</p> <ul style="list-style-type: none"> - Actual spend committed against pre-established contract arrangements - Achieve (over five years) collaborative expenditure of x% - Total cost of the procurement function as a percentage of organisational running costs - Levels of procurement spend outside of CSO's - Monitor contract waiver numbers - Reduction of unplanned work from x% to less than y% (two year target). <p>(Medium)</p>	Sept 17	G McTaggart
7	<p>An annual report to the Leadership Team will provide assurance that Policies and key objectives are being met together with any gap analysis and action plan going forward.</p> <p>(Medium)</p>	Sept 17	G McTaggart
8	<p>A risk assessment and update will be prepared and will be presented to each meeting of the procurement board and or governance group</p> <p>(Medium)</p>	Sept 17	G McTaggart
9	<p>Open data in respect of transactions greater than £500 will be updated and refreshed in order to comply with the Governments Transparency Code. (Low)</p>	May 17	S Overall
10	<p>Tender and contract information will be published in accordance with the requirements of the Governments transparency code</p> <p>(Low)</p>	Sept 17	G McTaggart

Assignment: Allocations, Lettings and Voids (15.16/17)	Opinion:	Reasonable
<p>. At the request of the Head of Housing and the Housing Operations Manager, the audit focussed solely on voids as the area of most concern to them as other aspects of Housing Allocations are in the middle of major changes.</p> <p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> • The Council has nomination agreements with Housing Associations which have properties in the Borough. These give the Council the right to nominate applicants from their Housing Register. • Nominations requests from Rosebery Housing Association accounted for 74% of the 180 nominations made by the Council in the period April 2014 to January 2017. However there are seven Housing Associations for which the remaining 26% of nominations have been made for which a copy of the nominations agreement is not held, 		

although we were advised that these agreements had existed in the past. There are a further two Housing Associations for which no nominations were made in the period and no agreement is held. This means the Council is not clear what nomination rights it has and the exact terms of responsibilities and obligations on both sides are not known.

- Local Lettings Plans are arranged by the Council with Housing Associations for new builds. We have raised minor issues in relation to these, as shown in Section 3 below
- Returns are required from the Housing Associations to report on what properties they have let and how many were nominations were requested from the Council. Consistent weekly returns have been provided by Rosebery Housing Association. The remaining Housing Associations have either not provided returns or not provided them consistently. We were advised that they do not respond to emails and contact with Orbit Group has broken down following its re-organisation.
- We found the tenancy returns from Raven Housing Trust and A2 Dominion did not provide any indication of what voids they had nominated to themselves. They only reported the Council's void nominations. The Council cannot determine whether it is receiving all the nomination rights to which it is entitled, with potentially households waiting longer on the Housing Register than necessary if there are voids not being offered to the Council. We have raised a Medium management action to work with Housing Associations to ensure returns are provided which allow the Council to monitor the levels of nominations provided.

	Agreed Management Action	Implementation Date	Manager Responsible
1	The Housing Operations Manager together with the Strategic Housing Officer will obtain copies of current Nomination Agreements with all social landlords with properties in the Borough or ensure new ones are agreed. (Medium)	Strategic Housing Manager - 30th Sept 2017	A Snell & E Hill
2	The Strategic Housing Manager to timetable a review and refresh of the Nomination Agreements with all the Housing Associations, based on volume of tenancies and risk.(Low)	Strategic Housing Manager – 30 Sept 2017	E Hill
3	The Housing Operations Manager will ensure future Local Lettings Plans include clear guidance on the definition of true voids and the Council's nomination rights to re-lets in new developments. (Low)	This will be implemented for any new letting plans entered into after 1/06/2017	A Snell
4	The Housing Operations Manager and the Strategic Housing Officer will consider how relationships can be re-established with Housing Associations, by for example considering relaunching a Housing Forum, by escalating communication to higher levels in the organisation and by using the process of revising nomination agreements to build relationships, buy-in and routine communications. Following this they will develop a strategy for obtaining routine returns on lettings, based on risk, possible benefits and available resources. (Medium)	Strategic Housing Manager - 30/09/2017 Work on re-established relationships & developing strategy will be completed by A Snell by 30/09/2017	A Snell & E Hill

5	The Housing Operations Manager will work with Housing Associations to develop reporting of tenancies which they can produce easily from their systems and which satisfies the Council's information needs. This will show all tenancies nominated by the Housing Association as well as those nominated by the Council. The Housing Operations Manager will seek to obtain information at least annually which is reliably provided from the Housing Associations own data system, such as in the form of a screenshot showing totals. (Medium)	Work on this will start from 1/06/2017 and be finalised by 30/09/2017	A Snell
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Assignment: Payroll (11.16/17)	Opinion:	Reasonable
<p>Design of the Control Framework</p> <p>We identified the following issues surrounding the design of the control framework:</p> <ul style="list-style-type: none"> • Not all personnel files were held securely by the HR team at the Council. We found files for former employees to be unsecured in the HR office. There is a risk that there may be a loss of personnel information and that the Council may be in breach of data protection laws. • We noted that for a selection of amendments to employee salary or position the audit trail supporting the change is often weak. In particular we found insufficient clarity within supporting emails to verify the authorisation and detail relating to the amendment. <p>Application of the Control Framework</p> <p>We identified the following issues surrounding the application of the control framework:</p> <ul style="list-style-type: none"> • On an employee leaving the Council leaver checklists are completed by the HR Team in order to ensure that all appropriate steps to terminate the individual's employment have been taken. Our sample testing identified that leaver forms are not consistently completed. There is a risk that where forms have not been completed important processes may not have been carried out. i.e. removal of access rights, returned ID badge, door entry card, return of equipment and calculation of any outstanding annual leave. • In order to create a position or advertise one budget holders are required to complete an authorisation to recruit form. The form must be processed and signed off by HR as well as the budget holder. however we found that an authorisation to recruit form was not in place consistently. There is a risk positions recruited for have been advertised inappropriately without an assessment as to whether there was a need to recruit for the position. • For a sample of employees we found that not all employees did not have a contract held by HR or the contract was not signed by the employee. There is a risk that, without a signed contract in place employees of the Council do not fully understand their roles and responsibilities for their position. • For a sample of monthly reconciliations between the general ledger and payroll systems we found that they had not been consistently correctly carried out. The reconciliation for September had not been carried out due to a staffing shortage in the Finance Department. October's reconciliation had been carried out by the Senior Accountant but had not been subject to independent review. There is a risk that if reconciliations are not carried out consistently and subject to independent review errors or omissions will not be identified in a timely manner. <p>Well Designed Controls being Applied Effectively</p> <ul style="list-style-type: none"> • The Council has policies for the processing of payroll which clearly outline the roles and responsibilities of HR and Payroll. It is recognised that these will need review up on implementation of the new payroll arrangements. • Through an electronic workflow all starter information is forwarded on to a Payroll Officer. The Payroll Officer will subsequently activate the account on iTrent adding the individual to the payroll system and for our sample we found 		

that all had been added to the Council's payroll in a timely manner.

- Leaver information is captured by the HR Team via a notification from line management. Through an electronic work-flow the Payroll Team is prompted to remove the leaver from the payroll system. For a sample of leavers we found that all had been removed from the payroll in a timely manner.
- Payroll runs including HMRC and pension payments are reviewed by the Head of HR prior to the final BACS submission by the Payroll Manager. For a sample of payment runs we confirmed that all had been signed off by the Head of HR in a timely manner prior to the BACS submission being made by the Payroll Manager.
- The BACS submission of the monthly payment run and the HMRC payments are made on a monthly basis by the Payroll Manager. It was noted however that the Payroll Manager has been on long term sick leave. As a result the BACS submission has been made by the Payroll Assistant on a monthly basis. We found that each BACS submission occurred in a timely manner and was signed off by the Payroll Assistant.
- Exception reports are produced on a monthly basis detailing any variances greater than £50. Explanations for variances are provided within the exception report. The exception reports are reviewed by the Head of HR. We found for a sample of exception reports that all had been reviewed in a timely manner by the Head of HR.
- The Council has an overpayment recovery spreadsheet that is monitored by the Payroll Team. The spreadsheet details the value of the overpayment and the recovery point the debt is currently at. There were a total of seven overpayments for this financial year which amounted to £1592. For a sample of these overpayments we found that they had been recovered via the individual's monthly salary or passed over to Finance and the individual had been invoiced and subsequently paid.
- A range of schemes are available for EEBC employees that require a salary sacrifice. Deductions are made on a monthly basis from their salary. For a sample of five employees we reviewed their monthly payslips and found deductions were being accurately made.

	Agreed Management Action	Implementation Date	Manager Responsible
1	Changes to employee details will continue to be authorised electronically. However these will be stored on the individual's electronic HR files along with any formal letters notifying the individual of the change This will provide a clearer and more consolidated approach to evidencing changes to employee salary at the Council.(Low)	April 2017	Shona Mason – Head of HR & Organisational Development
2	On an individual leaving the organisation a leaver's form will be filled out and kept on file by a member of HR. In addition correspondence between the individual leaving the organisation and HR will be kept on file detailing - Their final day of work - Their reason for leaving (resigned, retirement or dismissal) on a formal letter from the HR department (Low)	April 2017	Shona Mason – Head of HR & Organisational Development
3	It was agreed prior to a new position being posted at the Council that it is compared against a checklist that indicates if a REC01 has been completed and is on file.(Low)	April 2017	Shona Mason – Head of HR & Organisational Development

4	The HR Team will schedule a check of all new files on a quarterly basis to ensure all appropriate documentation is retained on personnel files.(Medium)	April 2017	Shona Mason – Head of HR & Organisational Development
5	The Council are actively recruiting two accountants to prepare the reconciliation. Subsequently the Senior Accountant will continue to review the reconciliation once prepared by the new staff members. (Low)	April 2017	Chris Morgan – Senior Accountant
6	The Council will archive former employee's personnel files on them leaving the organisation in a secure location with restricted access to only key staff members.(Medium)	Immediate	Shona Mason – Head of HR & Organisational Development

Assignment: Lintons Lane (17.16/17)	Opinion:	Advisory
<p>Planning obligations are prescribed under Section 106 of the Town and Country Planning Act 1990. S106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that may not otherwise be acceptable. They are focused on site specific mitigation of the impact of development. S106 agreements are often referred to as 'developer contributions' along with highway contributions and the Community Infrastructure Levy.</p> <p>This review sought to confirm the facts surrounding the S106 agreement reached with the developer of Lintons Lane and to identify control failing in respect of financial contributions due and remedial action taken going forward.</p> <p>Persimmon Homes was granted planning permission in 2013 for a development comprising of 85 houses at Lintons Lane. The permission (13/00250/FUL) was subject to a s106 obligation to pay infrastructure contributions of £827K</p> <p>We confirmed through view of the original S106 that the financial contribution of £827,246.59 comprised of:</p> <ul style="list-style-type: none"> o Education (Primary): £184,016.43 o Education (Secondary): £199,634.92 o Transport: £177,110.78 o Libraries £12,227.06 o Open Space (Children) £4,462.43 o Open Space (Parks and Gardens and Amenity Green Space) £ 22,396.10 o Open Space (Outdoor Sports Facilities) £ 121,544.24 o Environmental Improvements) £ 66,461.94 o Monitoring Charge @ 5% £ 39,392.69 <p>An invoice was raised (15th December 2014) through the corporate debtors system for the first initial scheduled payment and we confirmed receipt of these monies (£282,761.17). Interest was applied to the original amount due in accordance with the contracted terms of the S106 agreement. ("if any payment of any sum referred to herein shall have become due but shall remain unpaid for a period exceeding fourteen (14) days the Parties shall pay on demand to the Council interest thereon at the interest rate of four percentum (4%) per annum above the Bank of England Base Rate from the date when the same became due until payment thereof")</p>		

This was in respect of:

Monitoring £39,392.69 + £913.77 interest = £40,306.46

Transport £88,555.39 + £2,054.16 interest = £90,609.55

Open Space (Children) £4,462.43 + £103.51 interest = £4565.94

Open Space (Parks and Gardens and Amenity Green Space) £ 22,396.10 + 519.51 = 22,915.61

Open Space (Outdoor Sports Facilities) £ 121,544.24 + interest 2,819.38 = £124,363.62

The total outstanding is 276,350.16 plus interest of 6,410.33

In 2014, a separate application was made by the developer under section 73 of the TCPA1990 (Town and Country Planning Act) to “vary” the conditions attached to the 2013 permission. This application was approved on 8 December 2014 (14/00910/REM).

Although referred to as a ‘variation’ in legal principle the new approval completely replaces the original planning permission. A new S106 was not however attached to the new permission in error as officers mistakenly thought the original S106 would still apply.

The Council subsequently invoiced the developer on 13th November 2015 for payment of the next scheduled contribution (£374,498.27 – including interest) and received a reply that there was no S106 agreement attached to the new planning permission (28/1/15) and that there was no liability. (Notwithstanding this the developer did agree to pay a £10,000 contribution towards ecological mitigation in respect of a European Protected Species Licence and this payment was received on 10th May 15)

In summary, the total contribution amount was £827,246.59

The amount received to-date is £292,761.17 which includes some added interest for late payment

The amount outstanding is £540,895.74 (which includes added interest on the initial debtors accounts raised)

The day after the response from the developer was received denying liability, Epsom Officers sought legal advice from Chambers (29/1/15). . Advice given suggested that the Council quash the second planning permission. This would nullify the planning permission given and the original S106 would be active once more. This proposal was communicated to Persimmon (date) and on 13/2/15 they initially responded positively that they would not challenge such a quashing. Subsequently however Persimmon’s legal representatives (CharlesRusselSpeechlys) sent a letter dated 9/3/15 pointing out that in accordance with legislation (TCPA1990) the Council’s timeframe for quashing the second planning permission expired on 3/2/15.

No further action or communication regarding this subject has occurred since February 2015 and this delay represents a serious weakness in recovery and may adversely affect the potential for the recovery of these monies in the longer term. As the time frame for quashing the second permission has expired further legal action would appear to be exhausted.

We note that future financial contributions from potential developers will in future be controlled by those processes determined by the Community Infrastructure Levy and that S106 obligations will be principally non-financial. This should mitigate the risks that materialised with this particular development. Going forward assurances will be required that the CIL process is robust and that effective controls are satisfactorily applied

	Further Actions for Officer Consideration (Advisory)
1	<p>i) After discussion as part of this review, the Head of Place Development issued a written instruction to all staff reminding them of the circumstances surrounding this case and the need for future control. In particular the instruction to staff (dated 3 March 2017) makes clear that any S73 application seeking amendments to conditions or material minor amendments must be treated as a 'whole new application to which all relevant conditions and S106 should be attached'.</p> <p>ii) Discussions with the Head of Legal and external legal advice received by EEBC officers would indicate that there is no further legal action possible. However a proposal to recover these monies was to make a formal request jointly with Surrey County Council asking the developer in good faith to make a contribution that lies within the spirit of the original S106. At the time of this report we were informed that such a request will be actioned as soon as possible. Failing this the sum outstanding may need to be written off. We note that the amount was accrued in last year's accounts</p> <p>iii) The Head of Place Development should undertake an internal review of governance processes to ensure that adequate checks and authorisations are in place to provide assurances that going forward accurate documentation and contractual obligations in accordance with planning legislation are in place</p>

Assignment: Procurement Of Agency Staff (22.16/17)	Opinion:	Reasonable
<p>From August 2016 the Council introduced a new system for administering the recruitment of agency staff. The Council entered into a formal arrangement with MatrixSCM (Supply Chain Management) a neutral vendor managed service that supply both temporary and permanent staff. Agency staff at the Council would be procured via this system. This contract was procured via ESPO, a public sector owned professional buying organisation.</p> <p>At the time of the audit the Council had spent a total of £703,641 on temporary staff recruitment since August 2016. Of that 85% was in relation to staff procured via the new MatrixSCM framework. The remaining 15% of expenditure (£105,546) was in relation to staff could not be procured via the current framework and had to be sourced from other external recruiters</p> <p>Design of the control framework</p> <ul style="list-style-type: none"> • There are currently no procedures available to managers to provide guidance on the correct use of the Matrix SCM Management system. Procedures are specifically required to prescribe the 'approved' control framework. • There is currently an absence of consistent process and control definition for managers who wish to procure outside of the Matrix contract. At the time of the audit we found total spend on agency staff outside of the Matrix SCM system was £105,546 since 01/08/2016. There is a risk that that maverick procurement outside of the agreed contract may increase temporary staffing costs at the Council. Going forward the context and reasons for such procurement must be consistently documented. • There does not appear to be a clear forum for relaying issues that staff are having with the new recruitment framework Matrix SCM. From discussion with management at the depot it was clear that there were concerns regarding; <ul style="list-style-type: none"> ○ The availability of Management Information from the Matrix SCM system; 		

- The restrictive nature of the framework in terms of the types of staff available on the framework;
- The lack of information regarding how staff could be procured outside of the Matrix SCM system where required

There is a risk that if these issues are not identified and resolved by the Council that the operational performance of the depot may be impaired.

Application of the Control Framework

- Management Information is available on Matrix for staff to monitor the level of agency staff within their department. We found that staff at the depot are not effectively able to run management information reports. We asked a manager to run a report on the number of agency staffs currently employed (active) but they were unable to do this. Other managers at the depot stated they had similar issues with Matrix.
- When recruiting agency staff via Matrix,, Managers at the Council are required to complete a REC01 form. This is not required for agency staff recruited at the depot. There were two instances where REC01 forms had not been completed; the first was in relation to a member of staff in the place development team, the other was with regards to a member of staff who had been in a 'temporary position for seven years'. There is a risk that roles created have not been authorised by the Council leading to higher unnecessary temporary staffing costs.
- Temporary staff members are recruited by the Council to fill roles to meet the short term needs of the organisation. We noted that a temporary staff member had been at the Council for seven years. Using temporary staff over extended periods of time is not cost effective solution to meet the long term recruitment needs of the Council.

Well Designed Controls Being Applied Effectively

- The Council have in place an SLA agreement between themselves and Matrix the Agency staff provider. The agreement has been in place since 02/08/2016. The SLA agreement clearly outlines the responsibilities of Matrix SCM and the Council. The SLA agreement was signed off by EEBC's Chief Executive. The contract was in addition signed off by Matrix's Managing Director.
- Once a REC01 form has been completed and signed off by HR a request is made via Matrix to recruit the agency staff member. An electronic workflow is created on Matrix and signed off by the appropriate individuals in order to authorise the recruitment of agency staffs. For a sample of 15 roles authorised on matrix we found that an electronic workflow was in place and it had been authorised by an active user on the system.
- Any staff member at the Council can post a request on Matrix. However all requests must be authorised by a designated member of senior staff within the Matrix SCM system. Access to the Matrix system is password protected and only EEBC senior managers have access to the system. We reviewed the active user list and selected a sample of users and found they were all current employees at the Council.
- Matrix SCM is a web based system. In order to access the system you need an allocated username and password. We found access to the system was not possible without a designated password and user ID.
- On agreeing the recruitment of temporary staffs the hourly fees are outlined within the Matrix SCM system. We found for a sample of 15 temporary staff that the hourly rates were clearly outlined on the system. Any addition overtime and weekend rates were clearly outlined.
- On a weekly basis agency worker complete timesheets detailing the number of hours they have worked. Timesheets are then authorised by managers. Based on the timesheets provided via Matrix SCM the Council receive an invoice for the amount due . We found that invoices were reviewed by the Head of HR prior to being

processed by Finance to ensure the accuracy of the amounts invoiced.

	Agreed Management Action	Implementation Date	Manager Responsible
1	Officers will put together procedure notes for staff detailing the current recruitment process for agency staffs at the Council. These will be made widely available to staff via the Council's Intranet (This will be developed and be available on E Hub to support staff) (Medium)	Nov 2017	Head of HR
2	The Council will discuss with Matrix the potential for staffs to be provided with further training. This will enable Council staff to make better/more effective use of the Matrix SCM system (Low)	Nov 2017	HR Information & Systems Officer
3	HR and the Operational services team will schedule quarterly meetings to relay any issues and updates surrounding the use of the Matrix SCM recruitment framework. (Low)	Start in Sept subject to resources	Head of Corporate Governance/ Head of HR/ Head of Operational Services
4	Recruitment via Matrix will not be authorised by until HR have received a REC01 form. (Low)	Immediate	Head of HR
5	A stand-alone form will be developed to authorise recruitment activity outside of the Matrix SCM system. (Medium)	Nov 17	Head of HR
6	The Council will consider making this a permanent position In order to reduce associated temporary staffing costs for the position. (Medium)	June 2017	HR Advisor/ Housing Operations Manager

Assignment: Data quality (21.16/17)	Opinion:	Partial
<p>As of the current financial year the Council have introduced their new corporate plan for 2016- 2020. Ranges of Key Performance Indicators (KPI) are reported by the Council under the key performance areas; 'keeping our Borough clean and green', supporting our community', 'managing our resources', and 'supporting business and the local economy'.</p> <p>The Council carry out their own independent data verification process. This is carried out by the Performance Management team to ensure that each KPI reported by the Council has a clear methodology supporting it. As part of the audit we selected a KPI from each key reporting area. We traced each KPI back to source documentation and provided assurance on the robustness of processes supporting the reporting of accurate KPIs.</p> <p><u>1. Remove general fly-tips on Borough Council land from when they are reported within five working days</u></p> <p>Fly-tips can be reported by the general public or by staff working for the Council. Reports are made directly to the Customer Services Team who then feed this information on to the Operational Services Team at the Council's depot. Once staff at the depot receives a report from the Customers Services Team they then clear the fly-tip and log this on the Customer Relationship Management CRM system along with any additional information.</p>		

We reviewed a sample of data returns made by the Customer Services Team and reconciled these to the records held on the CRM system. We found that figures reported for collection dates are accurately based on information recorded on the CRM system. We did however note the following issues with the design and application of the control framework with regards to the KPI.

1. Currently staff at the depot do not have the ability to run reports from the CRM system to review the status of outstanding fly-tip collections. These reports can only be run by a member of the Customer Services Team on request. This can result in delays in information to the depot potentially leading to delays in the collection of fly-tips. There is a risk this could impact on depots ability to meet their target in clearing all fly-tips within five working days.

2. We found there was confusion around the figures used to report the number of days to report fly-tips. When calculating the days taken to remove fly tips on Council land we found that the KPI owner was using the date paper work was issued to depot staff to clear the fly tip as opposed to the date the fly tip was reported by a member of the general public. The KPI states that the measurement should be based on the date from when it is reported. Although this did not have a significant impact on the reported figure there is a risk that the Council are reporting misleading information which may impact on the reputation of the organisation.

3. The data verification form for this KPI had not been signed off by the Performance Team. The Performance team had concerns around the supporting data around monthly reported KPIs. There is a risk that if KPI is subsequently reported at Committee level without support of the performance management team that the Council risk reporting inaccurate or flawed KPIs.

2. At least 30% of housing clients to complete applications digitally

We were able to provide partial assurance around the total number of applications submitted electronically. We selected a sample of 10 housing applications registered as 'electronic' on the Abritas Housing Management system and found that an electronic application was in place to support the status on the system.

We did however note the following issues with the design and application of the control framework with regards to the KPI.

1. We found that the KPI is not an accurate reflection of on-going processes at the Council. It was noted that the figure used for 'total applications' was based on estimate of 850 as opposed to the total number of applications on the system (2,000+). This figure was used as it was estimated that the number of applications would fall in the near future after changing over to a new housing system and the Housing team thought this would give the a more accurate picture of how they were progressing with regards to processing applications into an electronic format. We found that there was no clear rationale for using the figure of 850. As a result this paints an inaccurate picture of the number of Housing Applications processed electronically as a percentage of all applications.

2. There was no data verification form in place outlining the methodology of how the KPI was produced. As a result we found during the audit there was some uncertainty around the interpretation of the indicator and the methodology used to calculate KPI. There is a risk that KPIs reported will lack accuracy.

3. In addition we found the KPI owner had to re-create the data returns made to the performance management team at the time of the audit. On the part of the Housing team there was a certain degree of judgement/estimation when recreating the return. As a result we could not confirm that the data return recreated was the same as the one completed when the data return was first made. We could only provide limited assurance around the accuracy of the data return submitted to the Performance Management team.

3. At least 90% of premises licence application determined within 21 days from the end of the statutory consultation period

Licence applications are monitored via an excel spreadsheet. The spreadsheet is updated by a Housing Officer detailing when the application was received and the date at which the application was processed, however this

process only began in March around the time the audit was starting. Prior to this the Licensing team only recorded the application number and when it was received.

Information supporting data returns prior to March were not in place and as a result we can only provide limited assurance on the accuracy of the KPI 'previously' reported to the Council.

For every month this financial year it was reported that 100% of applications were processed within 21 days as reported by the Licensing team. As a result we selected a sample of 10 applications and found that they had been processed within 21 days.

In addition we found that a data verification form was in place outlining the new methodology of how the KPI was produced which had been signed off by the KPI owner as well the Performance team.

4. Have no more than 60 households living in emergency temporary accommodation

All current individuals in temporary housing accommodation are recorded via a spreadsheet maintained by the Housing Team. In cases where both the individual arrives and leaves temporary accommodation backing documentation is completed to support the dates on the spreadsheet.

We selected a sample of 10 individuals from monthly data returns and found that data included in data returns was accurate as per the supporting backing information.

In addition we found that each data return made to the Performance Management team was supported with backing information as well a data verification form detailing the methodology for producing the KPI as well as the KPI owner.

	Agreed Management Action	Implementation Date	Manager Responsible
1	<p>Going forward the Council will ensure that KPI owners produce relevant verification forms to ensure there is a clear understanding of reporting requirements for each indicator.</p> <p>In addition where the Performance Team have identified there are potential issues with the data verification process this should be addressed by the Council before the KPI is reported at Committee level to ensure all data reported is accurate.(Medium)</p>	31 October 2017	<p>Gillian McTaggart - Head of Governance</p> <p>Adama Roberts - Data Analyst</p>
2	<p>a) KPI owners will be reminded of the need to maintain audit trails to support data submissions.</p> <p>The Performance Management team will carry out periodic sample checks to verify that data returns submitted by KPI owners are supported with a clear audit trail.</p> <p>b) 'At least 90% of premises licence application determined within 21 days from the end of the statutory consultation period' In order to maintain a full management trail, the completion dates for processing applications will be included on the management spreadsheet.(Medium)</p> <p><i>.- Action has been implemented at the time of the audit.</i></p>	<p>31 October 2017</p> <p>Implemented</p>	<p>Gillian McTaggart - Head of Governance</p> <p>Adama Roberts - Data Analyst</p>

3	The KPI has now been updated to ' Investigate all fly-tips within five working days of being reported to Operational Services ' (Medium) <i>Action has been implemented</i>	Implemented	Gillian McTaggart - Head of Governance Adama Roberts - Data Analyst
4	Team members at the depot should be given access rights to run reports with regards to fly tipping to improve the efficiency of monitoring arrangements.(Low)	31 October 2017	Gillian McTaggart - Head of Governance Adama Roberts - Data Analyst
5	It was noted that this KPI will be discontinued in the next financial year. However going forward data feeding into KPIs will be based on accurate information that can be tracked back to source systems/documentation. Estimates will not be used as a basis for calculating KPIs.(Medium) <i>Action has been implemented</i>	Implemented	Gillian McTaggart - Head of Governance Adama Roberts - Data Analyst

Assignment: Benefits (20.16/17)	Opinion:	Substantial
<ul style="list-style-type: none"> We sampled five weekly Housing Benefit system to Creditor system reconciliations In two cases we could not confirm that that reconciliations were reviewed by a secondary officer. There is a risk that errors and omissions are not identified in a timely manner due to a lack of secondary review from a senior officer. We reviewed a sample of ten overpayments made to housing benefit recipients in 2016/17. We could not confirm that appropriate debt recovery procedures had been followed in one case (£5876.28). We confirmed that an initial reminder letter had been sent but that the debt recovery procedure had not been escalated to a final letter for two months. Accordingly, if the debt recovery procedure is not followed in a timely manner, there is a risk that overpayments may not be recovered in full by the Council. We could not confirm that DHP (Discretionary Housing Payment) awards are subject to a review by a secondary officer. Without this secondary review there is a risk that some, especially difficult/judgemental cases, could be processed incorrectly and the wrong amount of DHP could be awarded to the claimant. <p>Well-Designed Controls Being Applied Effectively</p> <ul style="list-style-type: none"> For a sample of ten daily reconciliations between the Council Tax system and the Council Tax Support system, we found that figures were in balance and all reconciliations were signed off by Benefits Manager. The annual benefit payment parameters are uplifted on to Academy before the start of each financial year. We reviewed a sample of 15 payment parameters on Academy in line with the rates provided by the Department of Work and Pensions in the Housing Benefit circular confirming them to be accurate. The parameter screens were input, printed and signed by two senior officers on the Benefits team. For a sample of ten new claims in 2016/17, we confirmed an associated claim form was present. Associated personal identification documents were in evidence along with payslips and bank statements to support the claim. We reviewed a sample of ten changes in circumstance in 2016/17. In each case, we confirmed an appropriate change in circumstance form was in place and evidence supporting the change was held on the document 		

management system.

- The Council works in conjunction with the Single Fraud Investigation Service (SFIS) in cases of potentially fraudulent claims. For a sample of five fraudulent claims, we confirmed that appropriate detail surrounding the nature of the case was in evidence and appropriate action had been taken to assist SFIS in their investigation.
- We reviewed performance indicator data for 2016/17. This detailed the speed of processing of new claims and any changes to housing benefit and council tax support claims. We confirmed that the Council is currently meeting its target of 11 days for the processing of changes to claims. However, the Council is currently not meeting its target of 22 days for the processing of new claims. We confirmed through discussion with the Benefits Manager that this was due to a lack of resource at the start of 2016/17. Across the final four months of the 2016/17 financial year, we confirmed that the Council met its target of 22 days for the processing of new claims and accordingly a management action has not been raised in this case.

	Agreed Management Action	Implementation Date	Manager Responsible
1	Management will ensure that a monthly review of Housing Benefit to Creditor system reconciliations is undertaken to uncover any errors or omissions in a timely manner. (Low)	1 June 2017	Pete Wells - Benefits Manager
2	Management will ensure that a review of all currently outstanding overpayments made to housing benefit recipients is undertaken. Going forward, the Council's debt recovery procedure for housing benefit overpayments will be followed. (Low)	1 July 2017	Pete Wells – Benefits Manager
3	Management will ensure that a 10% review check is performed on the DHP claims that are awarded by the Council. The secondary officer reviewing the DHP application will provide a signature as evidence of their review and approval of the award.(Low)	1 June 2017	Pete Wells – Benefits Manager

FOR FURTHER INFORMATION CONTACT

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The General Data Protection Regulation (GDPR) will come into force in the UK on 25 May 2018 after four years of negotiations and unprecedented levels of lobbying by businesses.

These new rules will cause significant disruption to how organisations store, manage and process personal data, with significant penalties for those who don't comply.

This will impact all businesses but especially those in the consumer sector where data has become such a large part of customer loyalty, marketing and delivery.

What is the GDPR?

The new legal framework is the biggest change to data privacy legislation in over 20 years. Digital advancements over this time have meant that consumer data is created, collected and stored within seconds. It is more important now, than ever, to have clear laws and safeguards in place given the growing digital economy and associated cyber security risk.

Does Brexit impact GDPR?

The GDPR aims to protect EU citizens' personal data, regardless of borders or where the data is processed. The new rules are much broader than the 1995 Data Protection Act with a more expansive definition of personal identifiers, such as an IP address, which is now classified as personal data. Businesses based outside the EU will still need to be compliant if they have EU customers. As such the UK's decision to leave the EU will not affect the need to comply with GDPR.

What are the penalties?

The penalties are significant, fines for non-compliance of up to €20m or 4 per cent of annual global turnover could be imposed.



How does this affect my business?

Any company who processes consumers' personal data will need to comply with the new obligations. That means firstly understanding the changes to the existing processes under the new rules:



Consent – do you have explicit consent from individuals for the data you hold about them?

Under the new rules the requirements have been tightened significantly. Requesting consent from a consumer to process their personal data must be 'unambiguous'.



New responsibilities – are you a data processor or data controller responsible for processing personal data?

Under the GDPR, data processors will have greater legal liability and are required to maintain records of personal data and processing activities. There are also further obligations on controllers to ensure that any third-party contractors also comply with the GDPR eg cloud hosting or outsourcing.



Accountability – do you have a data protection programme and are you able to provide evidence of how you will comply with the requirements of the GDPR?

Organisational and technical measures to protect personal data are now the responsibility of the data controller and data processor – data protection and privacy requirements should be built into the development of your business processes and systems.



Mandatory breach notification – would you be able to notify a data protection supervisory authority of a data breach within 72 hours?

You will need internal processes that allow you to report and manage communications with affected consumers quickly and accurately.



New rights – do you know how you will comply with the new rights; the 'right to be forgotten', the 'right to data portability', and the 'right to object to data profiling'?

You will need processes in place to comply and reassure that these rights have been adhered to (including notifying third-parties).



Data protection officers – do you conduct large scale systematic monitoring (including employee data) or process large amounts of sensitive personal data?

Where 'large scale' processing of data is evident a dedicated Data Protection Officer needs to be appointed.

How we can help

Our specialists can help you to ensure compliance in the first instance, and provide the evidence to prove it in the second. Through robust analysis we will identify any risks and implement processes and systems to ensure compliance:

- GDPR gap analysis
- Privacy Impact Assessment
- GDPR awareness sessions
- Breach management processes
- Security monitoring and reporting

Please contact one of the team below for further information:

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