



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Progress Report

Audit, Crime & Disorder and Scrutiny
Committee Meeting

22 November 2018

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1 INTRODUCTION

The Internal Audit Plan for 2018/19 was approved by the Audit, Crime & Disorder Scrutiny Committee in June 2018. Below provides a summary update on progress against that plan and summarises the results of our work to date.

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 Scrutiny Committee.

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

Assignments	Status	Opinion issued	Actions agreed		
			H	M	L
Health & Safety (1.18/19)	FINAL	Partial Assurance	2	2	3
Income from s106 agreement and implementation of the Community Infrastructure Levy (2.18/19)	FINAL	Reasonable Assurance	0	1	3
EEPIC Company Governance (3.18/19)	FINAL	Reasonable Assurance	0	4	2
Community safety (4.18/19)	FINAL	N/a - Advisory	0	1	2
Continuous assurance Q1 (6.18/19)	FINAL	N/a - Advisory	0	1	0

2 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2018/19	Status
Homelessness – housing needs and temporary accommodation (5.18/19)	August 2018	Draft Report Issued 23 August 2018
Venues Management (7.18/19)	N/a – addition to plan	Draft Report Issued 20 September 2018
Continuous assurance	Quarterly	Q2 review in progress
HR Management	April 2018	Undergoing quality review
Treasury management	November 2018	Undergoing quality review
Project Management	July 2018	Fieldwork in progress
Payroll	December 2019	Proposed start date 8 January 2019
Corporate governance	January 2019	Proposed start date 28 January 2019
Risk management	February 2019	Proposed start date 4 February 2019
Contract management	TBC	Under discussions with specialists for review
IT Audit	January 2019	Under discussions with specialists for review
Contingency	As required	N/a
Follow up	Ongoing	N/a

3 OTHER MATTERS

3.1 Changes to the audit plan

There have been some minor changes to timings of reviews since this was agreed in June 2018. There has also been one addition to the plan, Venues Management, that was added in at management request in response to a budget overspend in this area in 2017/18.

FOR FURTHER INFORMATION CONTACT

Mike Cheetham, Head of Internal Audit

mike.cheetham@rsmuk.com

07800 617204

Lorna Raynes, Client Manager

lorna.raynes@rsmuk.com

07972 004175

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

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

Assignments	Status	Opinion issued	Actions agreed		
			H	M	L
NO 2018/19 FINAL REPORTS HAVE BEEN ISSUED					

HEALTH & SAFETY - EXECUTIVE SUMMARY

1.1 Background

An audit of 'Health and Safety' was undertaken as part of the 2018/19 internal audit plan.

The Council has a system of devolved management and, in line with this, health, safety and welfare functions are delegated to encourage issues to be addressed at a local level. The overall responsibility for the health, safety and welfare of the Council's employees, and others affected by its work activities, rests with Council Members and the Leadership Team comprising the Chief Executive, Chief Operating Officer and Heads of Service. The role of the Leadership Team is to ensure that health, safety and welfare is considered in policy development, including monitoring and reviewing the effectiveness of the Council's health and safety strategies. The Health and Safety Officer has responsibility for coordination, oversight, advice and general administration for the function. Under RIDDOR (Reporting of Injuries, Diseases, and Dangerous Occurrences Regulations 2013) there is a duty on all employers to report certain serious workplace accidents, occupational diseases and specified dangerous occurrences (near misses)

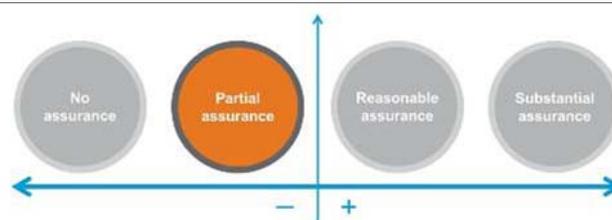
This audit considered the Council's compliance with policies and procedures, including who is responsible for completing key activities. We also reviewed the Council's processes for fire risk assessments, including how assurance is gained that actions identified during assessments are implemented.

1.2 Conclusion

We found there were weaknesses around the consistent use of accident/incident reporting forms by employees at the Council. In addition, we found weaknesses around the monitoring framework for the annual Risk Assessment reviews and for reviewing the implementation of the actions resulting from the fire risk assessments undertaken by the Council.

Internal audit opinion:

Taking account of the issues identified, the Council can take partial assurance that the controls to manage this area are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified area(s).



1.3 Key findings

We have raised two 'high', two 'medium' and three 'low' priority management actions. Details of the 'low' priority management actions can be found at section 2 below. The 'high' and 'medium' actions relate to the following observations:

- There is no established monitoring of services to ensure that managers perform and review risk assessments. There is a risk that these will become outdated and the Council would be unable to evidence regular review. (High, 2.1)

- In the event that an individual is subject to accident or incident an 'accident, incident and a near miss' form is completed. This form captures all the relevant information for assessing risk and addressing identified issues and must be completed in the event an accident or incident occurring. For a sample of ten accidents/incidents we found there was inconsistent use of reporting forms. In two cases no form was used to report the event, but instead there was email correspondence detailing the incident. For the remaining eight events a mixture of forms were used with two of these not being fully completed. There are two risks that occur that if appropriate forms are not used; **(Medium 2.5)**
 - The appropriate follow up actions are not undertaken in the event of an accident/incident;
 - In the event the Council is subject to a legal case as a result of an employee's accident there is an incomplete audit trail evidencing the Council's response and corrective action
- Evidence of conducting and regular reviewing of Risk Assessments and storing on the shared drive is varied. There is a consequent risk is that the Council could not evidence that risk assessments have been conducted and reviewed **(High, 2.2)**
- There is scope for ensuring that the reporting framework clearly identifies and highlights potentially RIDDOR reportable events and there is currently a risk of being non-compliant with HSE guidelines. **(Medium, 2.4).**

Notwithstanding the above we noted the following examples of well-designed and applied controls:

- The Health and Safety policy is updated and reviewed annually by the Health and Safety Officer. It is uploaded to the Council intranet page and is accessible to all staff members working at the Council. We established the policy in place was up to date and had been placed on the Council intranet page.
- The health and safety policy outlines the roles and responsibilities of staff at all levels at the Council. Roles and responsibilities were clearly outlined within the policy for the various levels of employees at the Council.
- All individuals joining the Council complete an induction that includes health and safety training. We verified that as part of the employee induction health and safety training was a key component. The health and safety induction covered areas including; 'law and policy', 'accidents in the workplace', 'fire safety' and 'lone working'.
- There is a good range of risk assessment templates available to services.
- High risk areas such as Civil Enforcement (Parking) and the Depot appear to understand the need for risk assessments and have been found to be more active in these areas.
- Fire Risk Assessments have been undertaken for all departments and clearly highlight key risks going forward.
- We found reported health and safety statistics to the Leadership Group do not go into significant detail, however they are split into categories and the Leadership Group is able to ask for additional information should it be needed. The Council have identified that they will add a section for RIDDOR even when there are no reportable events.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Health and safety policies and procedures are clearly documented and communicated to all stakeholders and are regularly reviewed in line with changes in legislation;	0	(1)	0	(1)	0	0	0
Responsibility is clearly assigned to ensure health and safety issues are implemented	0	(1)	0	(1)	0	0	0
A timetable of risk assessments is in place and these have been carried out in line with this timetable	1	(1)	0	(1)	0	0	1
Risks to the health and safety of all stakeholders have been assessed, addressed and reviewed (Risk Assessments and Health & Safety Audits)	0	(1)	1	(1)	0	0	1
KPIs are produced and reported to the relevant Health & Safety Committees/Group	1	(2)	0	(2)	1	0	0
Incident and Accident Reporting and Monitoring is documented	1	(3)	1	(3)	0	2	0
Training and Information is available to staff – at induction and on-going	0	(1)	0	(1)	0	0	0
Fire risk assessments have been completed by the Council. We will provide assurance around the risk assessments undertaken as well as the subsequent action tracking undertaken as a result of the assessments and how this is reported by the Council	1	(2)	1	(2)	2	0	0
Total	3	2	2	2			

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: A timetable of risk assessments is in place and these have been carried out in line with this timetable								
2.1	Section managers are responsible for the ensuring risk assessments are completed each year There is however no central review or oversight of the completion of risk assessments	No	N/A	The absence of oversight could lead to a lack of awareness of whether risk assessments had been conducted and reviewed across the authority, thereby putting the Council at risk should these be out of date if an incident arose. Task based risk assessments were available and up to date for 1 of the 5 test sample areas on the shared O drive, plus the Depot maintain a spreadsheet. Other departments within the sample had some Display Screen Equipment (DSE) assessments, lone and home worker assessments and quarterly area checklists present, but	High	i). Officers will consider how departmental compliance with H&S assessments will be centrally monitored and assured. This will be determined at the next corporate H&S meeting ii) Going forward officers will determine whether a generic risk assessment for office based tasks will be used to capture key	29 September 2018	Gillian McTaggart - Head of Corporate Governance

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				no expected task based assessments, some of these services would be expected to have some task based risk assessments.		information across the organisation.		

Area: Risks to the health and safety of all stakeholders have been assessed, addressed and reviewed (Risk Assessments and Health & Safety Audits)

2.2	<p>Risk assessments are completed on an annual basis by Managers at the Council. Risk assessments once completed are held by the responsible officers.</p> <p>There is a good range of subject specific risk assessment templates available such as home working, lone working, return to work, as well as task based templates.</p>	Yes	No	<p>From the sample of 5 service areas, a positive response was received from Civil Enforcement (Parking) and relevant risk assessments were received and found to have been completed within the previous 12 months. Other services advised that they conduct quarterly area assessments but either did not have risk assessments in place or available in the shared 'O' Drive. When checked with the Health and Safety Officer, it was found that for the other sample services current risk assessments were not available. Additional testing showed that the depot maintain a performance summary, based on inspection and vehicle CCTV which identifies and logs health and safety risks. Vehicle defect logs are maintained and compared to service logs for rectification.</p>	High	<p>Officers will ensure that all risk assessments are recorded, reviewed or updated in line with policy, stored and monitored / spot-checked centrally on a six-monthly basis.</p> <p>Officers will strengthen links with HR to ascertain whether DSE assessments have been conducted for all new starters, and with Operational Services to gain greater access to their records.</p> <p>A new Corporate H&S Group has been set up and this will review the risk assessment and identify gaps.</p>	31 December 2018	<p>Gillian McTaggart - Head of Corporate Governance</p> <p>In liaison with Head of Operational Services and Head of HR</p>
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: KPIs are produced and reported to the relevant Health & Safety Committees/Group								
2.3	On a quarterly basis senior members of the team at the depot meet to discuss health and safety arrangements and any accidents and incidents that have occurred in the last quarter.	Yes	No	Through discussion with the Head of Operational Services and their Health and Safety representative, it was ascertained that monthly Health and Safety meetings occur, however these are not minuted and therefore there is no evidence to test. A copy of the emailed agenda was obtained which shows relevant areas for discussion.	Low	Officers will document and retain minutes of Health and Safety meetings to include at a minimum, issues identified, actions conducted and taken forward, responsible officers and due dates, as well as standing agenda items. The Corporate Health and Safety Officer will be included in the distribution list for the agenda, minutes and actions and regularly attend meetings.	30 July 2018	Ian Dyer - Head of Operational Services
Area: Incident and Accident Reporting and Monitoring is documented								
2.4	The accident/incident monitoring sheet does not include a section to detail if an event is RIDDOR reportable and if the event meets this criteria it has been reported.	No	N/A	It is not clear from the reporting framework that potentially RIDDOR reportable events have been identified, reported to the Corporate Health and Safety Officer, and subsequently reported to the HSE in a timely manner. There is a risk that the Council are in non-compliance with Health and Safety Executive (HSE) guidelines. We did confirm that with the Health and Safety Officer and through our own analysis that based on the accident/incident records there did not appear to be	Medium	The Health and Safety Officer will send to managers and supervisors guidance regarding their duties to report accidents, incidents and near-misses. Work with HR regarding absence management related to workplace injuries will be undertaken. Extra columns will be added to	31 October 2018	Pauline Baxter - Health and Safety Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				any RIDDOR events that had occurred in the last year.		the data base to cover RIDDOR		
2.5	In the event that an individual is subject to accident or incident an 'accident, incident and near miss' form is completed. This form contains all the relevant areas that must be completed in the event an accident or incident occurs.	Yes	No	For a sample ten accidents/incidents we found there was inconsistent use of reporting forms. In two cases no form was used to report the event, but instead there was email correspondence detailing the event. For the remaining eight events a mixture of forms were completed with two of these not being fully completed. There is a consequent risk of an incomplete audit trail that could compromise prompt remedial action.	Medium	Specific guidance will be issued to managers and supervisors defining their responsibilities with regards to the reporting of accidents/incidents and the correct forms to be used. In the event that incorrect or incomplete forms are provided staff will be asked to complete the form in the correct format and ensure all fields are completed.	31 October 2018	Gillian McTaggart - Head of Corporate Governance
Area: Fire risk assessments have been completed by the Council. We will provide assurance around the risk assessments undertaken as well as the subsequent action tracking undertaken as a result of the assessments and how this is reported by the Council								
2.6	A number of fire risks assessments were undertaken at various buildings owned by the Council. After the exercise all actions raised from the fire risk assessments were placed into an action tracking spreadsheet to ensure all were followed up upon and implemented.	No	No	The action spreadsheet for fire risk assessments details a number of areas including the action to be completed, the action owner, and the priority of the action. However we noted that clear timescales are not in place for the implementation of these actions on the spreadsheet, although these are present in the risk assessments.	Low	Future action tracking spreadsheets will include clear timescales. Discussion will take place with the Project Manager regarding the current spreadsheets as all actions should now have been completed, so there is limited benefit at this stage in amending this record.	31 st October 2018	Gillian McTaggart - Head of Corporate Governance

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
2.7	Actions owners are assigned to all actions raised as part of the fire risk assessments undertaken at the Council.	Yes	No	We found that for three actions on the monitoring spreadsheet did not have assigned action owners. There is a risk that if an action does not have an accountable owner it may not be implemented in a timely manner.	Low	The fire risk assessment actions tracker will be reviewed to ensure that all actions have an assigned owner.	31 st /October 2018	Pauline Baxter - Health and Safety Officer

INCOME FROM S106 AGREEMENT - EXECUTIVE SUMMARY

1.1 Background

The Community Infrastructure Levy (CIL) is a local tax on new developments that Council authorities can allocate in order to fund new infrastructure projects in the local area. The program is guided by the 2010 regulations and subsequent policy amendments. CIL is calculated based on a set formula, with charges assigned based on the gross internal area of a site, and with an adjustment for the development index.

During the reporting period April 2017 – March 2018 Epsom Borough Council received funds to the value of £2,097,990.03 from CIL liable developments. £1,393,214.24 was raised in the financial year from new development projects in the local area. In total Epsom Council has £3,140,392.53 of funds that are awaiting allocation.

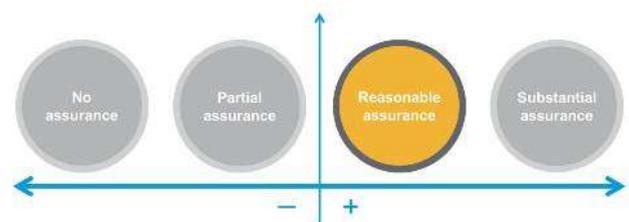
Charging authorities are required to allocate funding to match project priorities that have been identified through existing consultation with the community. This is done through existing engagement processes including neighbourhood groups.

Planning Obligations under Section 106 of the Town and Country Planning Act 1990, commonly referred to as s106 agreements, are mechanisms to mitigate the impact of developments such that the project falls within an acceptable tolerance for the local community. S106 funds are still allocated, mostly for projects related to affordable housing. Funds are assigned by the developer against the project. The Council then allocates these funds as per the requirements as set out in the Planning Act 1990.

1.2 Conclusion

Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.3 Key findings

We have raised one 'medium' and three 'low' priority management actions. Details of the 'low' priority management actions can be found at section 2 below. The 'medium' action relates to the following observation:

- Currently only local Councillors can bid on the allocation of CIL funds. There is no process where local community groups can apply for CIL funds to be assigned to local projects. This process is being updated to include local communities groups and will be rolled out in the next financial year. We evidenced that the Council had set up policy requirements and an assessment matrix in anticipation of these new changes, however, given that the process has not yet been implemented, we could not confirm compliance. **(Medium 2.4)**

Notwithstanding the above we noted the following examples of well-designed and applied controls:

- Internal procedural notes are in place and are used by the planning and accounting teams to assess CIL and s106 applications against the policy requirements (CIL) or contractual terms (s106).
- Epsom and Ewell Council adopted the Community Infrastructure Levy (CIL) charging schedule in April 2014. The Council has issued two regulation reports that establish the charging schedule for CIL projects based on the square meterage of the project. The last of these reports was published in October 2017 and is available on the Councils website.
- As part of this review we conducted an assessment of the Council's collection and assessment process, including confirming that the planning team is effectively applying the assessment criteria to all applications and that the accounting team is collecting funds in accordance with the established payment schedule. No exceptions arose.
- Income due is promptly recorded in the accounting system upon collection and reconciled back at the end of the month.
- We confirmed continued supervisory monitoring was occurring and that CIL/ s106 was being discussed in a sample of monthly board minutes. Yearly capital outturn reports are also published on the Councils website after review and approval by the executive committee.
- We confirmed that the Council was allocating funds in line with the policy requirements of 80% Main CIL, 15% Local Scheme and 5% Administration accounts.
- All legal agreements are attached to the s106 account database such that they can be cross referenced against each individual account. The account summary sheet also includes key highlights of restrictions that are in place around the contract. The accounting team has a monitoring process in place that allows the Council to continually assess projects against the original assessment criteria. CIL projects do not require continued compliance monitoring given that the original cost assigned is based on the planning permission granted and does not vary between projects.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
S106/CIL	1	(1)	0	(1)	0	0	0
Supporting evidence on CIL liability	1	(1)	0	(1)	0	0	0
Control mechanisms related to payment	1	(1)	0	(1)	1	0	0
Income due is registered in source systems	1	(1)	0	(1)	0	0	0
S106 agreements are effectively recorded	1	(1)	0	(1)	1	0	0
CIL receipts are applied in the following proportions: 80% infrastructure 15% local spending; 5% administrative costs	1	(1)	0	(1)	1	0	0
Transparent approach to the allocation of funds	1	(1)	1	(1)	0	1	0
Total					3	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
2.1	When an application is raised, the planning team send a letter to the client that details the total charge liable. This includes a payment schedule as per the policy. This payment schedule is then sent to the finance team who upload the schedule to the CIVICA Debtors system. The finance and planning teams also keep a detailed excel	No	N/A	For a sample of 5 CIL payments, we confirmed that the planning team had raised an invoice schedule that was sent to the client and a matching debtors schedule was raised in the accounts. For a sample of 5 s106 payments we confirmed payment was made in line with the payment schedule, or the finance team had implemented steps to recover outstanding income.	Low	The excel sheets used by the finance and planning teams will be reconciled back to the Debtors system on a monthly basis to ensure that all payments and debts are accurately recorded.	31 st December 2018	Sue Emmons

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	spreadsheet that tracks all CIL&S106 debts/payments. This spreadsheet is not periodically reconciled to the Debtors system			In all cases where payment was due, payment processes were in place to ensure timely payment. We confirmed the use of a primary monitoring spreadsheet to monitor payments and update management accounts. The absence however of an evidenced reconciliation between the monitoring spreadsheet schedule and the Corporate debtors systems weakens assurances that all debt is satisfactorily accounted for.				

Area: S106 agreements are effectively recorded and the obligations recorded are monitored for compliance within the terms agreed with the developer.

2.2	S106 agreements are effectively recorded and the obligations recorded are monitored for compliance within the terms agreed with the developer.	No	Yes	The finance department keeps records of all s106 agreements in a legal agreement folder. This allows the finance team to cross reference against the legal/ contractual agreements before allocating funds. All legal agreements are attached to the s106 account database such that they can be cross referenced against each individual account. The account summary sheet also includes key highlights of restrictions that are in place around the contract. For all 5 s106 projects that we sampled we confirmed that legal agreements were kept on file by the finance team and the s106 summary sheet on the system included key contractual restrictions such as a	Low	The Finance Department will undertake a sample reconciliation on s106 expenditure back to the contractual agreements to ensure that the funds have been allocated as per the agreements.	31 st December 2018	Sue Emmons
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				description of how the money is to be used. Funds are approved by the Head of Planning, or the Strategy and Resources committee for large funds. There is however no subsequent year end reconciliation to ensure that the funds have been allocated as per the contract				
<p>Area: In accordance with CIL regulations we will examine evidence that CIL receipts are applied in the following proportions: 80% infrastructure 15% local spending; 5% administrative costs</p>								
2.3	In accordance with CIL regulations CIL receipts are applied in the following proportions: 80% infrastructure 15% local spending; 5% administrative costs	Yes	To be improved	<p>The Finance team generate a yearly Capital Outturn report that is sent to the leadership team that shows the breakdown in the charges between the 80%, 15% and 5%. This is reviewed before being published in the Community Infrastructure Levy Report.</p> <p>The Community Infrastructure Report provides a breakdown on CIL expenditure. The report outlines that as per the policy, expenditure is assigned on an 80/15/5 % breakdown between the Main CIL, the Local Scheme and Administration accounts. The report also details commitments made by the collection authority, including which accounts they are allocated to and how this expenditure falls within the 80/15/5 breakdown.</p> <p>The finance team do not have separate ledger codes set up for the</p>	Low	The Council will create three separate ledger codes for the Main CIL, Local Scheme and Administration income accounts. Income will then be posted to these ledger codes as per the regulatory requirements.	30 November 2018	Sue Emmons

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				Main CIL, Local Scheme and Administration income. They track expenditure in a management account excel spreadsheet which allows them to report income and expenditure breakdown through to the leadership team. The use of separate ledger codes would provide greater assurance and transparency that the funds are being allocated in the correct proportions as per the regulations.				
<p>Area: In respect of local spending of CIL receipts we will examine evidence that a transparent approach to the allocation of these funds exists and that this includes an element of local engagement with communities.</p>								
2.4	In respect of local spending of CIL receipts the Council are in the process of rolling out a pilot scheme for CIL bids. Currently this bidding process is restricted to Councillors within the borough.	No	N/A	<p>The Council publishes the last two years Community Infrastructure Levy Reports, dating from 2015/16 to 2016/17. The CIL reports provide a comprehensive breakdown on the outstanding CIL liabilities and received CIL income dating back to 2014. Given that these funds are transparently reported through, the local community groups can assess project proposals against the Councils ability to meet funding needs.</p> <p>Currently the application process for CIL funds is managed through a bidding process facilitated by Councillor bids. Councillors can canvass opinion or engage directly with the public or interest groups in forming such bids. Going forward the</p>	Medium	As of the 2019 financial year the Council agreed a scheme for the allocation of CIL funds. Funds will be allocated based on an established assessment criteria building on from the 18/19 scheme.	02 September 2018	Gillian McTaggart

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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pilot scheme will be reviewed to examine its strengths and weaknesses

EEPIC COMPANY GOVERNANCE - EXECUTIVE SUMMARY

1.1 Background

At the Council meeting of 19th September, the Full Council resolved to approve the creation of Epsom & Ewell Property Investment Company Limited (EEPIC) as a limited share company wholly owned by the Council.

Forward financial projections in the Company's initial business case indicate a dividend available to the shareholder of £2.99m for 2018/19 and £9.01m in the first three financial years.

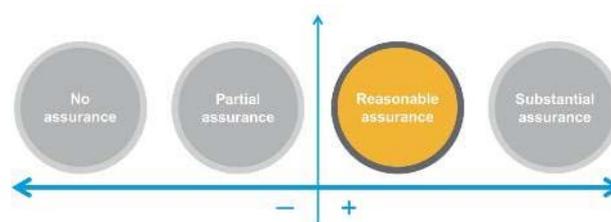
The purpose of this audit was to review Governance arrangements between the Council and Company.

1.2 Conclusion

We found that the Council and Company had, through a learning curve, self-identified weaknesses around the establishment of a shareholders' subcommittee, incomplete documentation, the lack of a scheme of delegation and conflicts of interest; corrective action is being taken. Additionally, we found weaknesses reporting to shareholders and possible improvements to the format of the Company's risk register. While loan agreements are now in place, due to changes in senior staffing and the appointment of new legal advisors there was a gap between the purchase of 2 properties in September 2017 and when the agreements were signed in May 2018 which meant the financial risk remained with the Council rather than the limited company should anything occur to the Company, however as sole shareholder the risk was acceptable to the Council.

Internal audit opinion:

Taking account of the issues identified, the Council can take reasonable assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.3 Key findings

The key findings from this review are as follows:

We have raised four '**medium**' and two '**low**' management actions. Details of the 'low' priority management actions can be found at section 2 below. For completeness, we have included management actions where the Council and Company have already instigated corrective action, but that action is still to be completed. The medium actions related to the following observations

- The establishment of a shareholders' subcommittee to act on behalf of the Strategy and Resources committee and approve the Company's annual business plan, as well as other duties in line with the subcommittee Terms of Reference has yet to take place. It is understood that a chair will be appointed at the next meeting of Strategy and Resources in September 2018. **(Medium, 2.1)**
- -The Articles of Association and Shareholders' Agreement presented to Council were incomplete. The Articles have subsequently been completed and the Shareholders' agreement is currently being redrafted by the Company's Legal Advisors. **(Medium, 2.2)**
- As noted in Board minutes of 25 May 2018 there is no Scheme of Delegation in place and this is being reviewed by the Council's Chief Legal Officer. **(Medium, 2.4)**
- There is a conflict of interest with the Council's Section 151 Officer sitting on the Company Board of Directors. **(Medium, 2.6)**

Notwithstanding the above, we noted the following examples of well-designed and applied controls:

- The Council and Company have experienced a learning curve and already identified issues and taken, or are taking, corrective actions. Outstanding issues have been noted for follow up action as listed above and in section 2.
- The Council was, even with some documentation not being fully completed, presented with a comprehensive case for the establishment of a Property Investment Company, including information on governance such as terms of reference, appointment of Directors, responsibilities, and a business plan and were therefore able to make an informed decision.
- Board meetings are held regularly, have been quorate and had declarations of interest considered, are minuted and signed.
- Relevant risks are identified and recorded in externally commissioned investment portfolio advice, the first annual business plan, and a draft risk register.
- The first annual business plan was approved by Council Members who are the shareholders of the Company and therefore separation exists between the Board and Shareholders to ensure that their objectives align.
- Some delegation of duties is documented such as the Director of Finances being able to conclude loan agreements, and the Shareholder terms of reference lists the responsibilities of the subcommittee.
- Loan agreements, while delayed, are in place with a debenture in place to protect the Council's interests should anything occur to the Company.
- Year end Company accounts have been prepared and audited by a local firm of accountants with separation in place by use of different teams. The Company have appointed a different organisation to the Council to maintain independence.
- Conflicts of interest of Directors and related parties are listed and the Council has already identified issues with the initial make up of the Company Board with regards to the Section 151 and Monitoring Officers. Board minutes record any declared interests.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
The establishment of appropriate governance arrangements such as the Company Board and Council sub-committee, along with suitable terms of reference and approval for each.	0	(1)	2	(1)	0	2	0
Frequency of meetings of both the Company Board and Council's subcommittees and recording of minutes.	0	(2)	0	(2)	0	0	0
The existence of a Company Risk Register.	0	(1)	1	(1)	1	0	0
The alignment of Council and Company objectives	0	(1)	0	(1)	0	0	0
Authorisation, recording, and monitoring of the Investment Portfolio and powers delegated to officers	0	(1)	1	(1)	0	1	0
Formal loan agreements are in place	0	(1)	0	(1)	0	0	0
Investment income returns are monitored and reported	0	(1)	1	(1)	1	0	0
How conflicts of interest are avoided	1	(1)	0	(1)	0	1	0
The appointment of company auditors /accountants is satisfactorily evidenced	0	(1)	0	(1)	0	0	0
Total					2	4	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Area: The establishment of appropriate governance arrangements such as the Company Board and Council sub-committee, along with suitable terms of reference and approval for each.

1	The Strategy and Resources Committee and Council report of 19 September 2017 agreed the creation of the Epsom & Ewell Property Investment Company (EEPIC) and established the need for a Shareholders' subcommittee to act on behalf of the Strategy and Resources Committee.	Yes	No	As of the time of the audit in July 2018 this subcommittee has not been established, although it is acknowledged that the Council are in the process of completing this action and a Chair should be appointed at the September Committee meeting. There is a reputational risk by the Council not following its own decisions and by not using the smaller subcommittee takes up more time of a larger number of Councillors.	Medium	The Council will establish a Shareholders' subcommittee in line with section 2 (Membership) of the Terms of Reference as agreed in September 2017.	30 November 2018	Amardip Healy, Chief Legal Officer
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
2	The Council was presented with expected documentation and information for the creation of the Property Investment Company, which was then approved.	Yes	No	Some initial documents were incomplete such as the Articles of Association, which has now been completed, and the Shareholders' agreement which is with the Council's legal advisors, Trowers. The Property Investment Company runs the risk of not conforming with Company House requirements.	Medium	The Shareholders' Agreement is currently being reviewed by the Council's legal advisors and will be presented to both the Council and Company for official sign off.	30 November 2018	Amardip Healy, Chief Legal Officer

Area: The existence of a Company Risk Register.

3	The first annual business plan sets out a Business Case objective which contains identified risks, and the Company's risk appetite by stating what it will and will not do.	Yes	No	Risks are identified in section 11 of the business case and show a Low/Medium/High rating for identified areas separated by likelihood and impact. The Investment Portfolio policy also identifies key risks in property investment and recommends diversification. The draft new risk register only shows an overall risk rating of Low, Medium, or High which is not separated into likelihood and impact. This style of risk identification has the potential to hinder prioritisation of risks and decisions on what proportionate mitigating actions should be taken.	Low	The Managing Director will update the draft risk register to show a rating for Likelihood and Impact, as well as an overall score, using a generally accepted numerical range. Actions needed, dates, and details of assurances will be included. A risk matrix will be showing risk appetite will be included. The draft risk register shall subsequently be presented to the Board for review and approval as is standard practice.	30 November 2018	Mark Shephard, EEPIC Managing Director
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Authorisation, recording, and monitoring of the Investment Portfolio and powers delegated to officers								
4	Powers are delegated through a shareholders' agreement, and Terms of Reference. The Council delegated authority to the Acting Director of Finance and Resources to conclude final loan arrangements to the Company to enable purchase of property. The Council approved the purchase of the two properties so far invested.	Yes	No	The Council Report of 19 July 2017 states that the sub-committee / shareholders committee shall have control over the company as set out in the shareholder agreement (which is incomplete). Board minutes of 25 May 2018 state that the Chief Legal Officer has commissioned an update on the shareholder agreement and a management action has been raised to keep track of this. As noted in paragraph 11 of the Board minutes of 25 May 2018 there is no Scheme of Delegation in place and this is being considered by the Council's Chief Legal Officer, however, directors are appointed by the Council and work in accordance to the approved business plan. With no clear scheme of delegation in place the Council and Company run the risk that unclear responsibilities could lead to actions taken that were not expected by the other party.	Medium	The Chief Legal Officer is currently reviewing formalising delegations and is included here for follow up purposes.	31 March 2019	Amardip Healy, Chief Legal Officer
Area: Investment income returns are monitored and reported								
5	Quarterly reports are sent to the Council	Yes	No	Board minutes state that the Company shall be set up for quarterly finance reporting. The first meeting is due to take place on 7th August as the financial year is linked to the tax year and as such no accounts have yet been distributed. Company accounts have been	Low	The Company Secretary shall ensure that Quarterly reports are distributed to the Board, the Council's Section 151 and Monitoring Officers, and the Shareholders' subcommittee to allow	30 August 2018	Louise Mathie, EEPIC Company Secretary

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				prepared and audited for 2017/18. Without regular timely reporting shareholders are unable to evaluate the performance of the company in line with agreed terms of reference and therefore any decisions made would lack an informed view.		them to periodically evaluate the financial performance of the Company as per the Shareholders' Terms of Reference 9c.		

Area: How conflicts of interest are avoided

6	Conflicts are managed through Governance arrangements, at meetings, and through registers. Para 14 of Articles of Association covers requirements for conflicts of interest and states that a conflicted Director may not be counted for decisions or quorate for areas where the conflict exists.	No	No	The Company Business Plan identifies that there will be a separation of duties and does not envisage that a conflict will emerge for the Section 151 (S151) Officer or Monitoring Officer. However, when the legal officer resigned from both the Council and Company, the replacement was not appointed to the Board as it was felt inappropriate for the Monitoring Officer to be a Company Director. Likewise, the Company and Council have identified a conflict of interest with the S151 Officer being a company director when they are the person who dictates loan terms; they will be replaced by the Chief Accountant. Monitoring Officers have responsibilities in statute that require them to place the Council first, which creates a conflict against their Corporate responsibilities should they also be on the Company Board of Directors.	Medium	The Section 151 officer will be replaced on the Company Board by the Chief Accountant. Subsequently the Shareholders' agreement shall be amended to prohibit the Section 151 and Monitoring Officers from being Directors of the Company to avoid conflicts of interest between the Council and the Company.	30 November 2018	Amardip Healy, Chief Legal Officer
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COMMUNITY SAFETY - EXECUTIVE SUMMARY

1.1 Background

Community Safety is in the top five priorities for the Council for the 2018/19 financial year. Following the departure of the previous Community Safety Officer there have been a number of changes in the profile of Community Safety amongst the Council and a desire to improve joint enforcement, both within the Council and with the partners of the East Surrey Community Safety Partnership. The Council have applied for funds between £50,000 and £174,000 from the Office of the Police and Crime Commissioner to progress this joint enforcement.

1.2 Conclusion

We found that the Council have already identified areas where they could improve their approach to Community Safety and Anti-Social Behaviour, including applying for funding from the Office of the Police and Crime Commissioner to bring together enforcement roles, restructuring reporting lines moving responsibility from Legal to Environmental Health and increasing the profile of representatives. In addition the Council will be recruiting a new Community Safety Officer in the Autumn.

As the level of development however is currently minimal, our review cannot, at this stage, reach a formal conclusion on the design and operation of the control framework. Notwithstanding, whilst many of these projects will be reliant on the outcome of the bid for funding, and hence are in their infancy, the Council has a positive direction of travel. We are raising three actions intended to support and consolidate current administrative controls.

1.3 Key findings

The key findings from this review are as follows:

We have raised one '**medium**' and two '**low**' management actions. Details of the 'low' priority management actions can be found at section 2 below.

- A lack of consistent, holistic, and quantifiable reporting of Anti-Social Behaviour, Community Safety and Enforcement action taken inhibits the ability for the Leadership team and Councillors to make informed decisions and monitor trends and progress. There is a reputational risk that a lack of publicising relevant statistics and proactive/enforcement actions taken that local residents and businesses will believe that no effective action is being taken to tackle these issues. (**Medium, 2.2**)

Notwithstanding the above, we noted the following examples of well-designed and applied controls:

- The Council has already acknowledged previous weaknesses and level of engagement with Community Safety partners and taken action to improve these relationships and raise the profile of the Council and attendance of Senior staff in line with other authority's' representatives.
- The Council actively participates in partnerships with other authorities and organisations, including: The East Surrey Community Safety partnership to work with peers across the county, Joint Action Groups set up to deal with specific issues in localised areas, Community Harm and Risk Management Meetings (CHaRMM) to discuss actions and plans to work with known individuals including offenders and victims.

- The Council has bid for funds from the Office of Police and Crime Commissioner, including details of how these funds would be used to increase the profile of Community Safety, train officers, and joint enforcement plans.
- In February 2018, the Council set up a Community Safety and Enforcement Steering Group which meets monthly, comprised of representatives from across Council functions and is headed by the Head of Housing and Community. Relevant topics are discussed and minuted, and closer working will improve engagement from different services to give the holistic approach that the Council is moving towards.
- The Council is compliant in the requirement to participate in a Community Safety Partnership and review the effectiveness of that partnership. It is through this review and reporting to Members that the decision was made to amalgamate with the East Surrey Community Safety Partnership.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Participation in the East Surrey Community Safety Partnership at an operational level as well as attending meetings, including the profile of the Council's representation	0	(2)	1	(2)	1	0	0
Current activities to reduce crime, disorder, and anti-social behaviour, including monitoring and reporting	1	(2)	0	(2)	0	1	0
Progress against new initiatives for joint enforcement	1	(1)	0	(1)	1	0	0
How the Council monitors and reports its performance against each of the statutory duties	0	(1)	0	(1)	0	0	0
Total	2	1	0	0	2	1	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Area: Participation in the East Surrey Community Safety Partnership at an operational level as well as attending meetings, including the profile of the Council's representation

2.1	The Council is a member of a Community Safety Partnership	Yes	No	The Council is a member of the East Surrey Community Safety Partnership. The Council was able to provide a draft copy of the Partnership's Terms of Reference and an invitation to join the Partnership. The Council did not have a final copy of the Terms of Reference available, therefore may not be able to make informed decisions or participate as expected without having a finalised version.	Low	The Council will obtain final copies of all governance documentation from the Community Safety Partnership.	31 October 2018	Oliver Nelson, Environmental Health Manager
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Current activities to reduce crime, disorder, and anti-social behaviour, including monitoring and reporting								
2.2	Anti-social behaviour is monitored and reported	No	N/A	Joint Community Safety and Enforcement Steering Group minutes shows discussion around performance and enforcement occurs but does not provide statistical summaries. A Monitoring Service Delivery Plan provides high level details relating to key projects. This leads to the Leadership Team not having an easy overview of Community Safety trends within the Borough. In July the Steering group acknowledged that more could be done to publicise activities as a deterrent, although there is no mention of how this would be achieved. There is a reputational risk that if the Council do not advertise their enforcement activity the residents and business will believe that no action is being taken.	Medium	The Council will, via the steering group, produce a dashboard showing Anti-Social Behaviour and Community Safety statistics to identify trends and give a holistic picture. This will be circulated internally to Members and Officers on a monthly basis. Where appropriate information will be uploaded to the Community Safety pages of the website and included in local news publications to raise community awareness.	31 October 2018	Rod Brown, Head of Housing and Community
Area: Progress against new initiatives for joint enforcement								
2.3	The Council has highlighted areas to improve Community Safety and improve joint enforcement. This venture is in its infancy as noted in the Executive Summary and reliant on a funds bid.	No	N/A	The Environmental Health and Licensing Enforcement Policy was approved in 2014 and is clear, proportionate and fair. With the Council wishing to adopt a more joined up approach across the Council, and changes with Data Protection, it may be an opportune time to consider updating it into a Council-wide Enforcement Policy.	Low	The Council is reviewing its current Enforcement Policies. As part of this a more unified approach will be considered with greater linkage.	29 April 2019 to have reviewed all policies	Rod Brown, Head of Housing and Community

CONTINUOUS ASSURANCE QUARTER 1 - BACKGROUND

An audit of Continuous Assurance of key controls was undertaken as part of the Council's approved internal audit periodic plan for 2018/19.

As part of the annual internal audit plan, we have agreed to undertake quarterly testing on an agreed set of controls across a number of areas, in order to provide a high-level assurance that key controls are in place and operating effectively.

These reviews focus on a suite of controls considered to be key risk areas for the Council, for which management require assurance throughout the year of their functionality and effectiveness.

The series of reviews to be completed quarterly are intended to give ongoing assurance over some of the key financial processes, including revenues, benefits, capital accounting and debtors rather than completing detailed reviews in these areas.

The controls tested as part of this report are from across the following areas , with a complete schedule of controls tested detailed in Appendix A. (Due to the non availability of Council staff and records, a number of tests were not completed during this audit visit and will be followed up and reported in our quarter 2 review)

- Finance
- Environmental Services
- Fleet Management
- Licensing
- Safeguarding

1 FINDINGS OVERVIEW

1.1 Key findings

Below is a tabular representation which reflects our view of the controls tested as part of this review, highlighting the areas where actions have been raised based on our testing.

Further details of these findings and management actions to address the issues identified can be found in the Findings and Action Plan in section three of this report.

	Conclusion (Q1)
Purchase order approval	✓
Purchase invoice matching and approval	✓
Key control account reconciliations	Not Tested
New benefit claims	Not Tested
Changes to supplier standing data	✓
Debtors income and reconciliation	Not Tested
Council Tax and NNDR discounts/relief	Not Tested
Tenders and quotations	✓
Tree inspections	X
Council vehicle checks (MOT and Tax)	✓
Employee driving licence checks	✓
Issue of Licences	✓
Employee DBS Checks	✓

✓	No actions raised	✓	Low actions raised	X	Medium / High actions raised
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2 FINDINGS AND ACTION PLAN

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Area	Priority	Finding summary	Actions for management	Action owner	Target date
1	Tree Inspections	Medium	<p>The Council has a spreadsheet maintained by the Tree Officer which is used to monitor the tree inspection programme, detailing the schedule of tree inspections to be completed.</p> <p>Through discussions with the Tree Officer it was noted that the spreadsheet is not currently up to date due to a backlog of inspections. For example, no inspections that had been scheduled for 2018 have so far been undertaken due to the backlog from 2017 inspections.</p> <p>It was also noted that, since April 2017, the Council no longer manages inspections for highway trees and that the current schedule requires updating to reflect the refocus to Council maintained trees.</p>	<p>The Council should determine what action is to be taken in addressing the current backlog in tree inspections, liaising with the relevant committee such as the Environmental Committee.</p> <p>Based on the agreed actions, the tree inspection spreadsheet should be updated such that the inspection schedule is accurate for inspections that are to be carried out for the remainder of the year.</p>	Jeremy Young – Tree Officer	30 September 2018