



EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Progress Report

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

7 February 2019

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CONTENTS

1	Introduction.....	2
2	Looking ahead.....	3
3	Other matters	4
	For further information contact	5
	Appendix A: Internal audit assignments completed to date	6

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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
Homelessness (5.18/19)	FINAL	Reasonable Assurance	0	3	1
Venues Management (7.18/19)	FINAL	N/a - Advisory	2	3	0
Treasury Management (8.18/19)	FINAL	Substantial Assurance	0	1	0
Project Management (9.18/19)	FINAL	Simply Weekly and Cemetery Extension – Substantial Assurance Ebbisham Exit – Partial Assurance	1	3	1
Continuous Assurance Q2 (10.18/19)	FINAL	N/a - Advisory	0	1	0
Midland HR ITrent System (11.18/19)	FINAL	N/a - Advisory	0	3	1

2 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2018/19	Status
Payroll	December 2019	Fieldwork in progress
Corporate governance	January 2019	Proposed start date 28 January 2019
Risk management	February 2019	Proposed start date 4 February 2019
Contract management	TBC	Workshop to be held by our specialist contract management team 7 February 2019
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

As reported to the November meeting of the Audit, Crime & Disorder Scrutiny Committee, 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

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APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

The following reports have previously been reported to Audit Committee.

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

HOMELESSNESS - EXECUTIVE SUMMARY

1.1 Background

The Council has a responsibility to prevent homelessness under the Homelessness Act 2002. It does this through financial aid and providing temporary accommodation. The Homelessness Reduction Act came into force in April 2018 and increases the responsibilities of the Council to help prevent homelessness, including a duty of assessment and production of a personalised housing plan. Nightly paid accommodation is costly and sourced outside of Borough, which affects the quality of life of service users. To combat this, the Council has undertaken a number of initiatives for the provision of temporary accommodation, such as Private Sector Leasing, which has been audited separately (Apr 2018 ref 14.17.18), purchasing properties, working collaboratively, and is investigating more flexible solutions within borough.

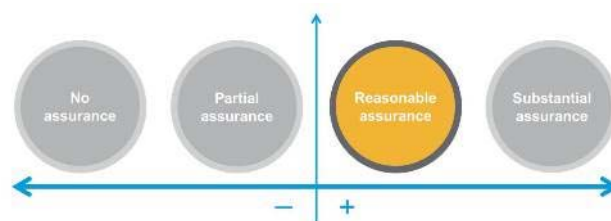
Homelessness is one of the largest budgets within the Council and has a budget of £1m for 2018/19.

1.2 Conclusion

We found that the service has a structured work programme in place and is working towards implementing further changes such as a substantial homelessness review and to introduce a new strategy to replace the approved interim strategy. Management actions listed in Appendix 2 are in line with, and reinforce, actions already identified by 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 risk 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 risk(s).



1.3 Key findings

The key findings from this review are as follows:

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

- A full housing/homelessness review is needed to inform the Strategy. The need for a review has already been reported to the Strategy and Resources Committee in April 2018. While an interim Homelessness Strategy is in place this is not available on the Council's website, potentially hindering service users from knowing what help is available to them before approaching the Council, and it is a requirement of the Homelessness Act 2002 to have a published strategy. (**Medium, 2.1 and Medium, 2.3**)
- As of mid-August, of the 116 homelessness cases presented there are 36 (31%) which have exceeded the 56 days to accept a duty of homelessness permitted by the Reduction Act, increased from 28 days under the Homelessness Act 2002. The Homelessness Reduction Act extends this duty to include people threatened with homelessness (**Medium, 2.4**)

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

- The Council works collaboratively with appropriate organisations in order to fulfil a diverse range of temporary accommodation needs, including vulnerable adults, ex-offenders, young homeless people, sanctuary providers, housing associations, and private sector leasing. It has purchased a small number of houses to provide temporary accommodation at a substantial saving compared to nightly-paid accommodation out of borough and is investigating an opportunity to provide flexible accommodation within the borough.
- Financial assistance is available in the form of rent in advance, rent deposit schemes, bonds, Discretionary Housing Payments (DHP), and a non-priority rent deposit scheme. These take the form of grants and are an example of "investing to save" as these preventative measures are more cost effective than nightly paid accommodation.
- Financial scenario analysis is conducted jointly between the service and accountancy, giving a level of challenge and this is used for individual projects and the service as a whole. This allows the Council to see the budget requirements for different housing needs such as individuals, couples, and families. This demonstrates that value for money is a consideration for the Council and accommodation standards are in place to provide suitable temporary needs that are fit for use.
- The service has negotiated reduced rates with regular landlords for when nightly paid accommodation is required, resulting in a reduction of around 20-30% per night. Furthermore, the homelessness budget for 2017/18 was set at £1,146,043 and came in at 803,498.29 with commitments of 1,440. This gives a beneficial variance of £341,104.71, approximately a 30% saving.
- There is a work-stream project in place for the Homelessness Reduction Act, with assessment processes, personalised housing plans, financial checks in place. A check of 12 of the 116 cases, amounting to 10%, showed that appropriate checks are made at each stage of presenting homeless.
- Since 2015 the Council have had 19 appeals, 10 of which have been found in favour of the Council, 4 withdrawn, 2 dating back to 2015 and 2016 were quashed, and 3 are awaiting response by the external review organisation. This shows a good track record by the Council.

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.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Insufficient access to suitable properties at an affordable cost to the Council	3	(4)	1	(4)	1	3	0
Nightly paid accommodation is costly and out of borough, which affects the quality of life of those services users	0	(1)	0	(1)	0	0	0
Total					1	3	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 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	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk: Insufficient access to suitable properties at an affordable cost to the Council								
2.1	The Council is required to have, and publish, an approved interim Homelessness Strategy.	Yes	No	There is an approved interim housing strategy, however this has not been published on the Council's Website. While it is available in the Committee minutes, this is not easily accessible for most clients. Under the Homelessness Act 2002, it is a requirement for the strategy to be published.	Medium	The Housing Operations Manager will, following the planned housing review, update the Homelessness Strategy, gain Member approval, and then uploaded to the Council's website. In the short term, by 30 September 2018, the website will be updated with the interim strategy.	31 March 2019	Annette Snell, Housing Operations Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
2.2	There is evidence of preventative measures, intervention where possible, and collaborative working with other agencies.	Yes	Scope to improve	The Council has a Rent Deposit scheme, rent in advance, non-priority rent deposit scheme, deposit bonds, and Discretionary Housing Payments to help clients. Rent deposits are currently grants, which still provide cost savings compared to nightly paid accommodation, however does not take into account that some clients may be able to afford to pay these back which would allow a proportion of funds to be recycled increasing the number of people who can be helped this way and reduce the financial impact on the Council without adversely affecting those most in need.	Low	The Council will draft a loan policy linked to the Homelessness Strategy. When conducting checks for financial aid such as Rent in Advance or Rent Deposit Schemes, the Council will use credit checking to decide whether this aid takes the form of a grant or fixed term loan.	31 March 2019	Annette Snell, Housing Operations Manager
2.3	The supply and commissioning of property for Temporary Accommodation is suitably forecast to maintain the capacity to meet demand going forward	No	N/A	<p>The Council has a range of suitable temporary housing solutions in place and are in the process of investigating further opportunities.</p> <p>The service does not routinely perform any trend analysis and due to the nature of the clients this may not be possible however they do record statistics of usage and perform financial forecasting based on an average number of households per year, plus contingency, with Accountancy.</p> <p>Documenting trend analysis will assist the Council's housing review and provide a more complete picture</p>	Medium	In line with the report to the Strategy and Resources Committee in April 2018, the Council will conduct a Homelessness review to inform the Homelessness Strategy	31 March 2019	Annette Snell, Housing Operations Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				of local needs than financial analysis alone.				
2.4	Due process is prescribed and complied with for individuals and families presenting as homeless	Yes	No	The Homelessness system dashboard shows that there are 36 out of 116 cases (31%) that have exceeded the 56 days to accept duty permitted under the Homelessness Reduction Act (HRA) opening the Council to costly and time-consuming appeals.	Medium	In order to reduce the time taken to compete HRA checks and the chance of justifiable appeals being made, the Housing Operations Manager will review all related policies, procedures, forms and resources once the Homelessness Strategy has been completed, taking into account the Housing Review. All documentation will be version controlled to ensure that the latest version is being used.	29 June 2019	Annette Snell, Housing Operations Manager

VENUES MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

The Council provides services for the hire of halls, rooms and facilities across a number of modern and historic buildings. These services are supported and delivered by the Venues Team which also manage operations delivered by the Council's PlayHouse and Well Being Centre (Longmead).

The controllable budget for the overall service in 2017/18 was £944K. The end of year outturn identified a £132K overspend on salaries principally attributed to overtime expenditure. After taking into account additional income generated within the service the net adverse variance against budget for the year was £47k.

This audit sought to examine budgetary management and in particular those strategic and operational processes and controls intended to provide effective assurance and scrutiny of Venues budgets. This review is 'Advisory' and as such no overall opinion is provided within our commentary.

1.2 Key findings

Overview

Examination of the £132k overspend identified that £91k (69%) was attributed to unbudgeted overtime, £24k was an overspend on routine salaries (18%) attributed to the Playhouse and Longmead and the remaining overspend was principally casual staff expenditure incurred at the Playhouse Theatre and bar which was offset by additional income raised.

This review particularly focussed on the overtime overspend. Analysis highlights that 40% of overtime in 2017/18 and 2016/17 was incurred at Bourne Hall and significantly overall overtime across the service increased by 30% between these years. In both years there was a zero budget for overtime. The full profile of the 2016/17 and 2017/18 overtime expenditure across venues is summarised in appendices A and B.

From our analysis of the £91K overtime we note that 20% was paid at time and a half and 9% at double time. If this additional 'demand' requirement had all been paid as core hours, at a plain payment rate, a saving of £10k would arise.

Resource Allocation and Control

We examined evidence of service demand recorded within the Artifax booking system and resource allocation controls with the Venues Operations Manager. In 2017/18 the Venues Service had 10 Venues Services Coordinators (3 full time & 7 part time) and 2 receptionists covering the core hours at Bourne Hall, Ebbisham Centre & Ewell Court House. Staff are not expected to work additional hours as it is on a voluntary basis only.

The Operations Manager checks the 'artifax' booking system for additional bookings on a monthly basis and records these on a monthly rota spreadsheet showing all the 'additional' shifts that require covering at the venues. This is sent out to all the staff across the service with a request to volunteer for any shift at any venue. Replies are then recorded and updated on the rota and staff are notified of the agreed overtime shifts for the upcoming month. Feedback from the Venues Operations Manager indicates that demand for these shifts is generally low. If there are still shifts left to fill the Operations Manager also sends out requests to two Town Hall staff who have volunteered for additional work in the past (an Apprentice Surveyor and a Casual Town Hall Support Officer). Once all these options have been explored the Venues Manager allocates the remaining shifts to the three senior officers within the service. We were informed that on average 300 to 500 additional hours are resourced through overtime on a monthly basis.

All overtime hours are input to the iTrent payroll system by the member of staff once the shift is completed and an automated workflow within the system requires the Operations Manager to authorise these on-line. Authorisation occurs after the Operations Manager checks the agreed Rota and verifies that the shift was completed. An authorisation hierarchy within iTrent requires any claim by senior officers to be certified by the Head of Service. Our sampling of overtime claims confirmed compliance with this control requirement.

We examined a period from September to November 2017 that was representative of service demand for the year.

Within this period, we confirmed that there was between 413 and 515 additional hours required cover each month across the venues. These were additional hours to the core hours built into the staff provision and relate primarily to evening and weekend work. Annual Leave and sickness were also a factor in balancing demand with resource.

2017	Contracted hours (Staff available)	Total additional O/T hours required	O/T hours (plain)	Overtime (1.5)	Double time
Sept (5 week period)	1821	417	319	67	31
Oct (4 week period)	1450	515	345	136	35
Nov (5 week period)	1821	413	297	91	25
Total	5092	1346	960	294	91

(Figures produced from Venues Operations Manager Rota and O/T Control Spread Sheet)

Total 'Demand' Hours 6438	21% resourced through O/T
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The Ebbisham Centre was sold late in 2017/18 and staff were redeployed within the Venues service. These staff had previously provided 60 core hours service per week and were redeployed within the service at other locations. There have however been vacancies that have arisen too and in this respect we have examined one recent month in 2018 to establish what current demand pressures are being experienced within the service.

For the month of August 2018 we identified that the amount of overtime demand was the same as that experienced in the previous year's sample and was as follows:

2017	Contracted hours (Staff Available)	Total additional hours required	Additional hours (plain)	Overtime (1.5)	Double time
Aug 18 (4 week period)	1356	357	257	59	41

Total 'Demand' Hours 1713	21% resourced through O/T
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Further feedback from the Venues Operations Manager has highlighted that at the time of writing this report in September 2018 staff availability in 2018 has been reduced by vacancies on hold and not being filled, one member of staff reducing their standard contracted hours, one officer now on long term sickness and two further officers are on 'amended duties'.

Budgetary Control

Overall, we identified that a number of factors were found to have contributed to the overspend within the service;

- Financial Regulation 2.17 highlights the responsibility of Service Level 'Directors' (Heads of Service) to control expenditure and income, monitor performance, and take the necessary action to avoid exceeding any budget. In this respect there appears to have been a failure over the last two years to provide the service within the budget.
- As noted above establishment numbers and types of contract within the Venues Team are considered by venues officers interviewed to be insufficient to provide resilience in respect of key officer absence and to meet the flexibility and responsiveness requirements of service operations. There is consequently a reliance on overtime to meet this perceived resource gap which is in part being met by senior officers within the Venues Team. (Overtime claimed by Venues Managers equated to £11k and 12% of the total £88k incurred across the service)
- A significant element of total overspend within the Venues budget was experienced at the Well Being Centre. Original considerations indicated that demand for services provided by the centre would diminish. We have been informed that attendance and demand for services actually increased in 2017/18 and this was reflected in a 23% increase in the salaries budget resourced principally through overtime.
- Key budgetary oversight, monitoring and scrutiny occurs with the quarterly financial report to the Leadership Team. These reports highlight significant variance with explanatory comment and where appropriate identify corrective action intended to mitigate adverse budgetary positions. From our analysis of the overtime pressure being brought to bear within the Venues operations we note that these were experienced consistently throughout the year and are evident across all key sites within the department. The charts in appendices A and B provide a summary profile of this analysis. We note however that the variance and commentary provided to the Leadership Team only picked up on these Overtime pressure in the Q3 report. Although the Finance Team did seek assurances in Quarter 2 about the overtime overspent. The Finance Team requested a report from the Head of Service of Venues to Leadership Team to address the overspend, but no report was subsequently provided by the Head of Service.
- Although there is reference within the HR Ebook to the overtime controls determined by the organisation there is scope for a more prescriptive and considered approach to Overtime practice to be outlined in a formal Overtime Policy document. This could include those determined controls relating to roles and responsibilities at all levels, overtime monitoring (beyond those of the budget holder) and those considerations relating to Working Time Regulations and Lone Working risks.

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: In particular, the staff budget is robustly and realistically set, linking back to the establishment list and the requirements of the venue.

2.1	We discussed the service delivery model for the Venue operation with the Head of Service and the HR Manager. Both commented that the current resource level had insufficient flexibility within it and consequently little resilience to cope when staff are sick and on leave. There is a consequent standard reliance on overtime to meet this gap.	No	N/A	Our testing confirmed that establishment numbers and types of contract within the Venues Team are currently inadequate to meet 'demand' hours required. There is a routine reliance on overtime to meet this resource gap which is in part being met by senior officers within the Venues Team. In addition, a significant element of total overspend within the Venues budget was experienced at the Well Being Centre (now part of Operational Services). Original	High	i) The Venues Team is currently being restructured with overall responsibility now under the Head of Property and Regeneration. As part of the restructure a more flexible staffing structure and resource support will be in place that will eliminate the need for routine overtime. This new structure will be aligned to a restructured salaries budget to ensure that budgetary control assurances are improved	April 2019	Head of Property & Regeneration
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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
				considerations for 2017/18 indicated that demand for services provided by the centre would diminish. We have been informed that attendance and demand for services actually increased in 2017/18 and this was reflected in a 23% increase in the salaries budget resourced principally through overtime.	High	going forward. (as part of the 19/20 budget setting process) ii) In view of the significant overspend in 17/18, monthly monitoring and reporting by the relevant Head of Service at a corporate level is merited to ensure revised budgets are fit for purpose.	April 2019	Head of Property & Regeneration & Head of HR & OD

Area: Budgets are clearly communicated to budget holders and the acknowledgement of this is formally documented. There is regular budget monitoring in place and where variances are identified the reasons for these are understood and action plans/remedial actions put in place to address this.

2.2	Key budgetary oversight, monitoring and scrutiny occurs with the quarterly financial report to the Leadership Team. These reports highlight significant variance with explanatory comment and where appropriate identify corrective action intended to mitigate adverse budgetary positions. In addition Financial Regulation 2.17 highlights the responsibility of Service Level 'Directors' (Heads of Service) to control	Yes	No	From our analysis of the overtime pressure being brought to bear within the Venues operations we note that these were experienced consistently throughout the year and are evident across all key sites within the department. We note however that the variance and formal commentary provided to the Leadership Team only picked up on these Overtime pressures in the Q3 report. There is also a clear individual responsibility placed on Heads of Service to clearly monitor and have responsibility for budgets.	Medium	Salary monitoring information will be circulated by the Finance Team on a monthly basis to Heads of Service, who are responsible for producing forecasts for their service areas in line with the budget monitoring timetable and informing finance of any adverse budget variances within their service.	April 2019	
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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
	expenditure and income, monitor performance, and take the necessary action to avoid exceeding any budget.							
2.3	Oversight and scrutiny from the Leadership Team ensures budgetary variances are challenged.	Yes	No	<p>The 17/18 Q3 budgetary monitoring report to the Leadership Team highlighted a significant salaries overspend. The Venues and Facilities Department was identified as contributing to a significant element of this budgetary pressure.</p> <p>The report recommended that the Head of Service for Venues provide a report setting-out the cause and nature of the adverse budget variance, plus any possible mitigating action.</p> <p>As far as we have been able to ascertain no such report was provided to the Leadership Team.</p>	Medium	The Financial Regulations and Finance Rule Book have been updated and will be reported to S&R in January. This provides a clearer escalation procedures for overspends, requiring a report to the Leadership Team on overspends over £50k and to the relevant Committee for overspends over £100k	April 2019	Chief Finance Officer/ Chief Accountant
2.4	Current controls relating to Overtime are recorded within the HR ebook.	No	N/A	We discussed overtime controls, as prescribed within the HR ebook with the HR Manager	Medium	Although there is reference within the HR Ebook to the overtime controls determined by the organisation there is scope for a more prescriptive and considered approach to Overtime practice to be	April 2019	Head of HR & OD

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
						outlined in a formal Overtime Policy document. This could include those determined controls relating to roles and responsibilities at all levels, overtime monitoring (beyond those of the budget holder) and those considerations relating to Working Time Regulations and Lone Working risks.		
						A formal Overtime Policy was agreed in in principal in November by the Leadership Team . The policy needs to be written and consulted on before implementation and will form part of the wider HR Policy Review and review of Contracts of Employment. HR will be responsible for monitoring overtime and identifying any areas of concern		

TREASURY MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

An audit of Treasury Management was undertaken as part of the approved internal audit plan for 2018/19.

Epsom and Ewell Borough Council faces both internal and external economic challenges, such as in relation to the current level of uncertainty over Brexit as outlined in the Council's Treasury Management Strategy for 2018-19. This strategy has also been formulated to account for domestic economic indicators, such as the expectation that interest rates will continue to remain low.

The Council is required to operate a balanced budget, managing its cash flow and planning to ensure that cash raised during the year will meet cash expenditure. Surplus monies are invested in low-risk counterparties or instruments in line with the Council's risk appetite, with the primary aim of the treasury management function being to provide adequate liquidity before considering investment return.

Treasury Management at the Council is managed primarily through a range of spreadsheets, administered by members of the Finance Team. Access is managed through user restrictions on the Council's network, with only certain users in the Finance department granted access to these files.

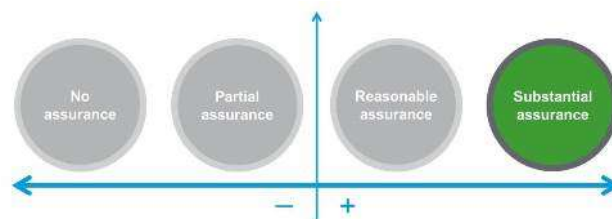
Link Asset Services provide the Council with treasury consultancy services. The Council's in-house short-term overnight investments are currently split across three institutions, with the total values of actual and forecasted investments at month ends ranging from £1.1m to £6.5m for 2018-19. The Council currently holds approximately £64.4m of external long-term borrowings, and additional internal borrowings of £15m.

The objective of this audit is to review the Council's approach to its Treasury Management controls.

1.2 Conclusion

Internal audit opinion:

Taking account of the issues identified, the Council can take substantial assurance that the controls upon which the organisation relies to manage the identified area(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

We have raised one '**Medium**' priority management action relating to the design and application of the control framework:

- **Interest Received Reconciliations:**

Through discussions with members of the Finance team, it was confirmed that cash flow to ledger reconciliations of interest received had not taken place for quarters three and four of the 2017-18 financial year due to staff shortages. Although the quarter one reconciliation for 2018-19 had been completed and appropriately authorised, this was completed in October and thus was not timely. In the absence of regular, timely reconciliations, there is a risk that errors and differences will not be identified in good time. **(Medium)**

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

- It was confirmed through the review of meeting minutes that the Council's Treasury Management Strategy for 2018-19 was approved by the Council on 20 February 2018. The strategy includes key changes made for the year, such as an increase in the Council's borrowing limit to £380m until 2019-20. The strategy also details key changes to the Council's management structure, following the removal of the Director of Finance and Resources and Head of Financial Services, and the creation of the Chief Finance Officer post.
- Link Asset Services provide the Council with treasury consultancy services, advising the Council on the formulation of suitable investment and borrowing strategies. It was confirmed that an agreement with Link is currently in place, with the most recent contract extension signed on 27 February 2017 and valid until 31 May 2020. Link Asset Services also provide the Council with regular email updates on economic and political changes impacting the Council's investment strategies. Members of the Finance team at the Council are also able to access the Link Passport portal, where further updates can be accessed.
- The Council's Treasury Management strategy includes a creditworthiness policy with credit rating information supplied by Link Asset Services. This policy outlines the minimum acceptable credit criteria for institutions the Council can invest in, such as the requirement that all banks be either UK owned, part nationalised UK banks or a non-UK bank with a minimum sovereign long-term rating of AAA. Review of all the in-house investments made by the Council this year confirmed that these complied with the stated requirements.
- The Council does not use a specific Treasury Management system, with the Treasury Management function administered primarily through a group of spreadsheets held on a secure network drive. Access to these documents is restricted via user accounts, with only members of the Finance team able to access this section of the network. Access to online banking facilities is also restricted through the use of chip and pin devices, held only by authorised members of the Finance team.
- The Council uses one main bank account for its Treasury Management activities and aims to keep the end of day balance on this account close to £200,000. Where an opportunity to invest amounts in excess to this are identified, short-term investments are made. We reviewed the account's end of day balances between 01 April and 30 September 2018 and found that balances tended to remain close to £200,000. On days where this figure was exceeded, this did not last for longer than a couple of days, with the Council's cash flow showing that appropriate short-term investments had been made to offset these excess amounts.
- A Change of Signatories letter sent from the Council to NatWest on 17 November 2017 indicates that the signatories list is regularly updated. The letter informs NatWest of recent staff changes within the Council, which required an updating of the signatories list. Through our sample testing of investments as detailed throughout this report, it was confirmed that in each case, investments had been authorised appropriately as per the latest signatories list.
- The Council produced both mid-year and annual Treasury Management performance reports for the 2017-18 year, in line with the CIPFA Code of Practice for Treasury Management in the Public Sector. It was confirmed that both reports had been presented to and approved by the Council's Financial Policy Panel and Strategy and Resources Committee respectively. At the time of testing, the mid-year report for the 2018-19 year was to be presented to the Financial Policy Panel in December 2018.
- The Council maintains complete records of its investments and loans held through a financial investments spreadsheet. This spreadsheet also allows the total investments held with each institution to be monitored. For a sample of investments made by the Council in the current financial year, it was confirmed that sufficient records were held in support of each investment. In each case, details of the investments had been correctly inputted from supporting documentation into the Council's treasury management spreadsheets.

- There have been no borrowings to date in the current financial year, with cash flow forecasting at the time of testing also confirming that no borrowings are currently planned for the remainder of the year. However, procedures governing the process of borrowings are outlined in the Council's Treasury Management strategy, should they be required.

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
A Treasury Management policy is in place and has been reviewed by the appropriate committee and approved by the Council	0	(2)	0	(2)	0	0	0
Investments and loans operate in accordance with the Council's Treasury Management policy and are in line with the authority's risk appetite	0	(1)	0	(1)	0	0	0
Access to the Treasury Management system and online banking facilities are restricted to key personnel at the Council	0	(1)	0	(1)	0	0	0
An annual and a mid-year analysis of treasury management performance has taken place as per CIPFAs Treasury Management Code of Practice	0	(1)	0	(1)	0	0	0
Investments and loan details e.g. maturity date, principal and interest rate, have been accurately inputted on the Treasury Management system	0	(2)	0	(2)	0	0	0
Reconciliations between the Treasury Management system and the General Ledger are carried out on a regular basis and are subject to management review	0	(1)	1	(1)	0	1	0
Total					0	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
Area: Reconciliations between the Treasury Management system and the General Ledger are carried out on a regular basis and are subject to management review								
1.6.1	Reconciliations: Interest received reconciliations are completed quarterly and signed by the Chief Finance Officer. Segregation of duties is maintained between the preparer and the authoriser.	Yes	No	Through discussions with members of the Finance team, it was confirmed that cash flow to ledger reconciliations of interest received had not taken place for quarters three and four of the 2017-18 financial year due to staff shortages. Although the quarter one reconciliation for 2018-19 had been completed and appropriately authorised, this was completed in October and thus was not timely. In the absence of regular, timely reconciliations, there is a risk that	Medium	Management will ensure that quarterly interest received reconciliations are completed and appropriately authorised in good time.	31 January 2019	Teresa Wingfield - Senior Accountant

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				errors and differences will not be identified in good time. It was also noted that the staff shortage has since been addressed and that the Council does intend to undertake quarterly reconciliations going forward.				

PROJECT MANAGEMENT - EXECUTIVE SUMMARY

1.1 Background

Project Management is the practice of initiating, planning, executing, controlling, and closing the work of a team to achieve identified goals and meet defined success criteria at a specified time and budget. Consistent corporate monitoring and control of projects provides assurance that projects are meeting objectives and that risks are promptly identified and mitigated.

Three recent projects were selected for review:

Simply Weekly – This project sought to introduce simple, weekly, high-capacity recycling collections at the disposal of the entire Borough – houses, flats and businesses. It sought to simplify and increase co-mingled recycling collections while being the cheapest to operate and provide resilience to the materials markets.

Cemetery Extension – The business case for the project was outlined at the time of the previous cemetery extension in 1995, when there was an agreement with the land owner that the Council was to have the option to purchase the remaining 3.69 acres. In 2015 officers identified that the existing available space for lawn graves would be used up by spring 2019 and there was a pressing need to acquire new land to expand the existing cemetery. This project sought to purchase the land, obtain planning permission and create the infrastructure within the site so that it could be integrated with the current cemetery setting.

Ebbisham Centre Exit – The Ebbisham Centre was a community facility within the Town Centre managed by the Venues Team. It provided Venue space for hire or use principally by community groups, charities or members of the public. A review by officers highlighted that there was an adverse budgetary position in both revenue and capital terms and that sale of the Council's lease would mitigate future losses.

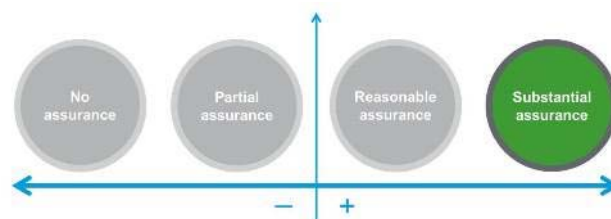
The full scope of our review objectives is summarised in appendix A

1.2 Conclusion

Our review found evidence of good and poor project management. We have therefore provided three opinions to reflect the assurance the Council can take that good project management controls were in place and evidenced across the three projects reviewed. In order to provide better consistency and application of good project management controls across the organisation there is scope for improved training and awareness of the Council's project management toolkit (**2.1 Medium Action**). In this respect particular focus on the detail and scrutiny applied to Project Initiation Documents is merited.

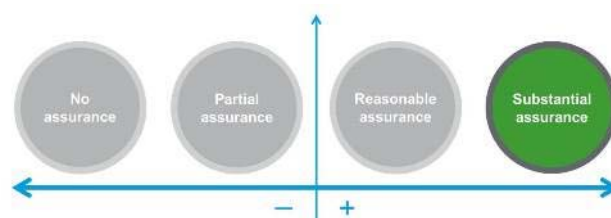
Simply Weekly:

Taking account of the issues identified, the Council can take substantial assurance that the controls in place to manage this area are suitably designed and consistently applied.



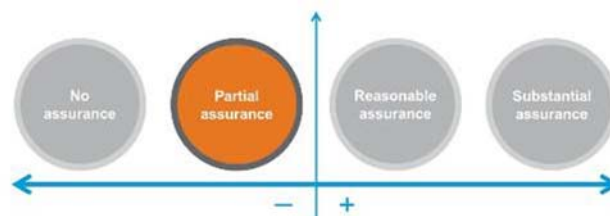
Cemetery Extension:

Taking account of the issues identified, the Council can take substantial assurance that the controls in place to manage this area are suitably designed and consistently applied.



Ebbisham Exit :

Taking account of the issues identified, the Council can take partial 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

1.3.1 Simply Weekly

- The business case for the move to a weekly 'all in' refuse collection for recyclables was clearly summarised and agreed through a report to the Environment Committee on 27 Oct 2015. The major point of consideration driving the change was the upcoming requirement to replace the refuse collection vehicle fleet after March 2017 when contract leases expired. As part of these exercises the following factors were taken into consideration:
 - Recyclable income streams had become depressed and the market itself was quite volatile becoming reliant on a number of specific organisations or destination countries for recyclable waste demand. For example, the collapse of Aylesford Newsprint in February 2015 halved the Council's income from recycled paper.
 - The current vehicle fleet relied on a number of specialist vehicles for the separate recyclables collected. These were more expensive to maintain and required specialist Health and Safety training for the operatives. There was potential for a smaller, generic fleet of vehicles to keep costs down.
 - Recyclable volumes collected had reached a ceiling of 45% of total tonnage against a Surrey wide average of 52%. Co-mingled collections generally increase recycling because of their higher convenience. This was shown both locally and nationally (in Surrey, most councils operated co-mingled recycling)
 - Officers believed that there was a public appetite within the borough for a simpler process whereby residents did less sorting themselves. Additionally, weekly collections provide for greater convenience.
- The project sought to introduce co-mingled recycling (paper, cardboard, cans, cartons, plastics). Glass and food waste would continue to be separately sorted. The proposed system required six fewer operatives and anticipated increasing recyclable rates to around 53%. Financial modelling identified a £132K saving for the new system (Weekly co-mingled with separate glass) against theoretical future costs if it were possible to extend the current system exactly as it was. The new system requires a fleet of 15 vehicles and 32 operatives against a previous fleet of 20 and 38 operatives.
- We confirmed that net annual operating costs projected for the new system were £1,435,000 against £1,566,000 and that at this point the future structure of refuse and recycling collections needed to be aligned with suitable, new vehicles.
- A number of collection models were explored by officers using financial modelling and 'on the ground' experience within the Borough. We were provided with evidence that supported this modelling and of service options considered in the process of preparing an actual working proposal.
- An agreed plan systematically identified those resources and individual phases required to meet the projects requirements. The Manager for the project was the Fleet and Refuse Manager who maintained a detailed and meticulous project control sheet to cover all aspect of timing and cost delivery. We satisfactorily confirmed that a detailed project plan evidenced the following:

- Communication Events within the Borough to engage with the Public This involved scheduled dates / logistics / Staff involved / Contact details (39 events and details listed);
 - A detailed timing analysis of the planned phased implementation of the new schedule that was aligned with the delivery of new vehicles, as the Fleet was incrementally updated in April / May 2017;
 - Planning and scheduling of new collection rounds and considerations regarding 'known/unusual' collection sites within the Borough;
 - Budget analysis, update and monitoring of Project Finances;
 - Monitoring of associated materials and items required for project implementation; (Print notices / Stickers / labels / Data handling / collection boxes/ storage requirements etc);
 - Training schedule for staff regarding new fleet and rounds within the Borough;
 - 'O' Licence amendment considerations and vehicle specs and required delivery dates;
 - Policy and legal updates required;
 - Redundancy Planning;
 - Issues and risks associated with the plan.
- The project was implemented on time and to budget. We note that current monitoring of the recyclable market by officers has identified that there is now a business case for Paper and Card to be separately sorted and no longer co-mingled. Further investigation is required to examine the rationale and economic benefits that may arise and officers will progress these considerations in more detail going forward. Officers are in particular currently waiting on the position of Surrey County Council and its potential for taking over dry recyclables. Further updates will be provided to Committee as information becomes available

1.3.2 Cemetery Extension

- Between 2015 and 2017 negotiations with the landowner failed to progress significantly and these were complicated by the need for a Ground Water Protection Survey. The Ground Water Protection survey was a critical piece of work and was completed in August 2017 and additional surveys were completed between November 2017 and March 2018, notably the:
 - Archaeological Desk Study
 - Contaminated Land Desk Study
 - Topographical Survey
- None of the results indicated any concern for the viability of the land use as a cemetery and members were appraised of these developments principally through a report to the Strategy and Resources (S&R) Committee in April 2018. The Head of Housing & Environmental Services appointed an officer to lead the Cemetery Extension Project with a remit to implement the agreed S&R Committee actions.
- We satisfactorily confirmed the background, actions and way forward at the outset of the project in April 2018 and the determination of the S&R committee to proceed on the basis of:
 - Using Compulsory Purchase Order (CPO) powers if necessary to acquire the land if negotiations with the landowner did not progress;
 - Determining a revised budget for the project;
 - Appointing a planning consultant with specialist skills and expertise to prepare the planning application and the associated documents, undertake remaining surveys, discharge planning conditions, procure the build contractor, and oversee the works.
- We confirmed that the overall project plan is recorded within a project management Gantt chart and that this identified the key phases of the project, scheduling key tasks and individual milestones and provided a key timeline and critical path for the project.
- We note that there has been minor slippage from the timeline scheduled mainly due to negotiating a price with the landowner and completing the conveyancing. It was initially envisaged that once purchased, planning permission for the land would be sought in August 2018.

This has slipped to Q3 with building works now scheduled for the new year (2019). We confirmed that a revised budget has been agreed and is being actively recorded and monitored.

- We confirmed that a formal tendering process was entered into to appoint managing consultants for the project and that this was supported and managed through the corporate procurement function. A summarising tender report confirmed that tenders were sought from five consultants for professional services and that two tendered submissions were received and assessed against a predetermined specification. The Tender report clearly identified the Council User Group assessing the proposals and provided an overall conclusion and recommendation to engage a preferred bidder. In particular the report notes that questioning of one of the firms highlighted issues with resilience going forward and on this basis was discounted.
- Whilst we have been assured by management that best quality and vfm have been obtained through this process, we have not been able to identify a detailed scoring assessment against individual quality questions and a price calculation based on lowest bidder / bidder price x % weighting. This would evidence best practice and a full audit trail to support the decision-making process and in this respect we have agreed a management action to strengthen procurement controls going forward. **(Medium 2.2)**
- The project was still in progress at the time of our audit and we note from discussions with the current project lead officer that some clarity is required going forward as to where responsibility will lay for managing the oversight and performance of the management consultants and anticipated building works once that phase of the work begins in the new year **(Medium 2.3)**

Management action

2.2 (Procurement) All tender reports will identify a detailed scoring assessment against individual quality questions and a price calculation based on lowest bidder / bidder price x % weighting **(Medium)**

2.3 Officers will determine responsibility for the oversight and monitoring of the project's management consultants. This will ensure that a governance structure is in place to verify construction progress, budgets spent and any developing concerns. Issues and risks arising will be regularly reported and monitored by the project sponsor and monitoring Working Group. **(Medium)**

1.3.3 Ebbisham Exit

- We confirmed that the Business case for exiting from the Ebbisham Centre was considered within a report put before the Council's S&R Committee on 21 June 2016. The report highlighted that the Council's underlease agreement incurred ongoing adverse net operational costs of £124K together with a 46% share of capital cost obligations scheduled over the course of the next five years that totalled £815K. The report proposed that the Council maintain its joint freehold interest with Surrey County Council but surrendered its underlease agreement with Burleywood. In view of the significant costs being saved the report proposed a nil surrender value be placed on the lease.
- Officers interviewed (Borough Solicitor / Head of Property) as part of this review have highlighted that there were flaws in the initial business case proposal put forward by the Head of Venues. In particular: The initial 'nil' valuation of the lease was subsequently challenged by the Council's own Solicitor and a subsequent professional valuation obtained a value of £150K. In addition, there was limited evidence of resource benefits arising within the Venues Service after staff were redeployed. (See internal audit report on Venues Management 2018/19). Furthermore, we note that this exercise was not treated as a project in the formal sense of the term but was rather seen as a conveyancing and legal process.

In this respect overall ownership and responsibility for this piece of work became unclear and the implications surrounding the subsequent legal complexities that arose and the interdependencies with other workstreams (Venues Reorganisation) and the required engagement with partners (Surrey County Council) and users of the centre were overlooked at the outset **(High 2.4)**

- In progressing the disposal of the lease, the Council's solicitor quickly identified that the status of the lease agreement was significantly compromised as only a copy was held and the original lease could not be found. In addition, the lease had not been registered with Land Registry. These original omissions dating from 1999 resulted in significant delay as work was put in place to prepare, reinstate and officially record the lease. Much of this delay was due to slow communication from, and resource available within, Surrey County Council as joint leaseholder. We have not raised a formal action regarding this as this finding was not within the specific scope of our audit. However, we suggest that as part of their on-going work caseload legal office staff verify other deeds and leases held by the council against the property register / asset register to ensure all original copies are held and that appropriate documentation is lodged with Land Registry.
- In undertaking the conveyance and surrender of the lease further legal complications arose in establishing the sub-agreements in place with the users of the Ebbisham Centre which would transfer to the new Lessor. The portion of the Ebbisham Centre leased to EEBC in 1999 is made up of nine rooms/areas located on the mezzanine floor. These rooms are used by a variety of groups including a softplay company, a fitness company, an audiology clinic, a legal advice provider, Red Cross and an educational charity. The Council's Solicitor found differing types of agreement were in place. Either a licence, a hire agreement or lease arrangement. In addition, some of these could not be located or were out of date. Further delay occurred as correct agreements were required going forward. **(Low 2.5)**

Management action

2.4 All business cases will be clearly vetted and approved for financial and legal implications before being finalised. At the outset business cases must identify a project manager / sponsor together with defined outcomes, timelines, issues and risk analysis. Where such projects or 'actions' are high profile or exceed a determined value officers will ensure that a Project initiation Document is prepared to determine project responsibility and the governance structure or forum that will provide scrutiny going forward. This scrutiny will ensure compliance to the Council's own Project Management toolkit or best practice. **(High)**

2.5 Officers will conduct a full check of all hire agreements / licences and leases agreed with users of Councils Properties to ensure that appropriate legal agreements are in place and are up to date. Training and raising of awareness is particularly required for Venues Staff to ensure that the correct contractual arrangement is entered in to with prospective service users **(Low)**

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	Audit findings and implications	Priority	Action for management	Management response	Implementation date	Responsible owner
2.1	There is an approved approach to Project Management Control within EEBC. This is prescribed within the EEBC Project Management Toolkit. The inconsistent findings from this review (in respect of one of the three projects sampled) indicates a need for greater awareness and training in Project Management across the Council.	Medium	A Project Management Training Programme will be rolled out to raise awareness across the organisation of good practice and the processes and controls prescribed within the Project Management Toolkit.	Agreed Contract Management training is being rolled out in February and this will be linked with procurement and project management training.	Sept 2019	G McTaggart
2.2	Cemetery Extension					
	We satisfactorily confirmed that a formal tendering process was entered into to appoint managing consultants for the project and that this was supported and managed	Medium	(Procurement) - All tender reports will identify a detailed scoring assessment against individual quality questions and a price calculation based on lowest bidder / bidder price x % weighting	Agreed	With immediate effect	G McTaggart

Ref	Audit findings and implications	Priority	Action for management	Management response	Implementation date	Responsible owner
	<p>through the corporate procurement function.</p> <p>Whilst we have been assured by management that best quality and vfm have been obtained through this process we have not been able to identify a detailed scoring assessment against individual quality questions and a price calculation based on lowest bidder / bidder price x % weighting. This would evidence best practice and a full audit trail to support the decision-making process.</p>					
2.3	Cemetery Extension					
	<p>Managing consultants for the project have been appointed and a time line, budget and delivery specification have been clearly determined to progress the infrastructure works required.</p> <p>At the time of our audit review it was unclear who would be responsible for progressing the oversight and monitoring of these consultants going forward.</p>	Medium	<p>Officers will determine responsibility for the on going monitoring of the Cemetery project's management consultants.</p> <p>A governance structure will be put in place to verify progress, budgets spent and issues arising.</p>	The responsibility for the building work is allocated to the Building Surveyor and there will be a clear reporting structure for the project to Head of Housing & Community as the project lead.	February 2019	T Rod Brown Head of Housing & Community
2.4	Ebbisham – Business case					
	Officers interviewed (Borough Solicitor / Head of Property) as part of this review have highlighted that there were flaws in the initial business case proposal put forward	High	All business cases will be clearly vetted and approved for financial and legal implications before being finalised. At the outset business cases must identify a project manager / sponsor together	There will be further training and awareness on the project management toolkit and the to ensure that	Sept 2019	Gillian McTaggart Head of Policy, Performance & Governance

Ref	Audit findings and implications	Priority	Action for management	Management response	Implementation date	Responsible owner
	by the Head of Venues. In particular: The initial 'nil' valuation of the lease was subsequently challenged by the Council's own Solicitor and a subsequent professional valuation obtained a value of £150K. In addition, there was limited evidence of resource benefits arising within the Venues Service after staff were redeployed. (See internal audit report on Venues Management 2018/19). Furthermore, we note that this exercise was not treated as a project in the formal sense of the term but was rather seen as a conveyancing and legal process. In this respect overall ownership and responsibility for this piece of work became unclear and the implications surrounding the subsequent legal complexities that arose and the interdependencies with other workstreams (Venues Reorganisation) and the required engagement with partners (Surrey County Council) and users of the centre were overlooked at the outset.		with defined outcomes, timelines, issues and risk analysis Where such projects or 'actions' are high profile or exceed a determined value officers will ensure that a Project Initiation Document is prepared to determine project responsibility and the governance structure or forum that will provide scrutiny going forward. (High)	projects have clear objectives and goals, risks are identified and managed throughout the project		
2.5	Ebbisham Exit – User Agreements In undertaking the conveyance and surrender of the lease further legal complications arose in establishing the sub-agreements in place with the users of the Ebbisham Centre	Low	There is merit in conducting a full check of all hire agreements / licences and leases agreed with users of Councils Properties to ensure that appropriate legal agreements are in place and are up to date. Training and raising of awareness is particularly required for	As resources allow a review of hire agreements and licences and leases will be undertaken . Training or guidance	Sept 2019	Mark Shephard Head of Property & Regeneration & Danny Surowiak Principal Solicitor

Ref	Audit findings and implications	Priority	Action for management	Management response	Implementation date	Responsible owner
	<p>which would transfer to the new Leasee.</p> <p>The portion of the Ebbisham Centre leased to EEBC in 1999 is made up of nine rooms/areas located on the first mezzanine floor. These rooms are used by a variety of groups including a softplay company, a fitness company, an audiology clinic, a legal advice provider, Red Cross and an educational charity.</p> <p>The Council's Solicitor found differing types of agreement were in place. Either a licence, a hire agreement or lease arrangement. In addition some of these could not be located or were out of date. Further delay occurred as correct agreements were required going forward.</p>		Venues Staff to ensure that the correct contractual arrangement is entered in to with prospective service users	will be arranged for the Venues Team		

CONTINUOUS ASSURANCE - QUARTER TWO - BACKGROUND

An audit 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, 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):

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

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 (Q2)
Purchase order approval	✓
Purchase invoice matching and approval	✓
Key control account reconciliations	✓
New benefit claims	✓
Changes to supplier standing data	Not Tested
Debtors income and reconciliation	Not Tested
Council Tax and NNDR discounts/relief	✓
Tenders and quotations	Not Tested
Tree inspections	X
Council vehicle checks (MOT and Tax)	Not Tested
Employee driving licence checks	Not Tested
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 the Council no longer manages inspections for highway trees since April 2017, 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	31 December 2018

MIDLAND HR IT SYSTEM GOVERNANCE REVIEW - EXECUTIVE SUMMARY

1.1 Background

Epsom & Ewell Borough Council (the “Council”) have implemented the Midland HR iTrent system to conduct HR and payroll functions within their organisation. The ability to utilise the full HR functionality of this system was impacted as a result of a series of staffing issues from the point that the administrator left (March 2018) for a period of three months until a short-term contractor was bought in. During this three month period, HR functions (such as recording annual leave taken, calculating maternity & paternity leave and pay) were being conducted outside the system, exposing the Authority to the risk of non-compliance with local policy and employment legislation.

The scope of this review was as follows:

- Review of iTrent system administration procedures; including patch management controls
- Database integrity controls
- Review of access rights to the iTrent application and database

1.2 Conclusion

A number of opportunities for further controls improvement were identified during this review. In particular, the current level of systems operational documentation is insufficient to provide a basis for operational continuity. Moreover, in relation to operational procedures, there is scope for further training regarding system administrator responsibilities to support systems functionality. In addition, further focus is required on change and version control of the system as different versions of the systems exist with the live, test and development environments.

1.3 Key findings

A number of primary opportunities exist to improve the current iTrent control environment, in particular:

- Established version control processes have not been followed and consequently system upgrades have not been deployed for the duration of time that no iTrent administrator has been in post. This issue increases the risk to the confidentiality, integrity and availability of the system.
- Two members of the HR unit have administrator rights to the iTrent system. However, these staff have not been formally trained for this role. Consequently, regular system administration tasks (administering leave requests, calculating leave entitlement, maternity and paternity leave and pay, etc) and system upgrades have not been managed on a timely basis.
- A number of procedure notes exist regarding specific modules within the iTrent system. However, there is scope to enhance these procedures to cover all modules and to update procedures to reflect changes following new system releases. Significant gaps specifically relating to Payroll, Recruitment and HR modules exist. Without comprehensive system documentation there is a risk of not retaining system functionality knowledge for everyday tasks within the organisation.

- System logs are in place that capture personal identifiable information. However, no related data retention policy is in place to ensure legislative compliance. The absence of such a policy increases the risk of legislative breaches.
- An iTrent testing strategy that sets out the requirement for the testing of data back-ups is not in place. This issue increases the risk that any failures in the back-up process will not be detected and rectified on a timely basis and may subsequently lead to a loss of key data and corresponding operations.

However, we did identify several well-designed controls which are summarised below:

- Logical access controls are in place that include the requirements for password expiry and complexity and minimum length configurations. These controls reduce the risk of unauthorised access to the system.
- User profile access controls are in place designed to designate iTrent access rights based on individual roles and responsibilities. This access structure provides system level separation of duties and reduces the risk of a loss of systems access confidentiality and integrity. In addition, role-based access supports the requirement for database integrity as the ability to amend underlying data is restricted and controlled.
- Membership of the high-level system administrator account is restricted based on operational roles and responsibilities. Furthermore, a formal process to authorise membership of the administrator account is in place that provides a basis to support the confidentiality of systems access and the integrity of data.
- Administrator account audit logging is in place that is designed to capture administrator account activity and be used as a basis for access account review where requirement. This control reduces the risk that any unauthorised amendments to underlying systems data will not be detected and addressed.

We would like to take this opportunity to thank staff and managers involved in this review for their co-operation and assistance throughout.

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.

Risk	Control design not effective*		Evidence of Non-Compliance with controls*		Agreed actions		
					Low	Medium	High
Weak IT governance controls increase the risk of the system not fulfilling the requirements of the organisation	3	(5)	1	(5)	1	3	0
Total					1	3	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.

Our internal audit findings and the resulting actions are shown below.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk: Weak IT governance controls increase the risk of the system not fulfilling the requirements of the organisation								
1	A change and version control process is in place to ensure that the iTrent system is updated and maintained in accordance with MHA distribution and contractual agreements. However, we noted that no staff member has been designated with formal responsibility for new releases and version control.	Yes	N/A	We found that the version control process has not been followed and consequently system upgrades have not been deployed for a lengthy period time. Whilst the latest available version of iTrent is 10.28, the organisation currently has version 10.26 in place in the live and test environments, and version 10.25 in place in the development environment. It should be noted that version 10.25 is no longer supported by Midland HR. The lack of congruency between the different release versions undermine	Medium	Responsibility for the iTrent system administration will be assigned to an individual to allow patching and maintenance to be completed on a timely basis. We will discuss with IT the viability of sharing the responsibility for sharing the updating of iTrent with them, as they are better placed to maintain this aspect of the system.	March 2019	Head of HR & Organisational Development

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				the key benefit of testing and approving new releases before they are deployed.		The system administration responsibilities will be in accordance with the in-house IT Change request procedure.		
2	<p>A documented procedure exists for iTrent system administration account users.</p> <p>This includes the process to authorise membership of the administrator account, monitoring of administrative activity, resilience of the role in the event of absence and the suspension and removal of the system administrator account.</p> <p>However, no formal system administrator training has been delivered.</p>	No	N/A	The absence of formal system administration increases the risk to the governance and efficient and effective operation of iTrent	Medium	Key individuals will be identified, nominated and trained for administration access. These will be members of HR and IT.	<p>Temporary 6 month FTC appointed from 28 January to elevate immediate risk and support the HR team with setting up a process for managing the system administration. Currently building resilience with ICT.</p> <p>Documented procedures for system administration in place by June 2019</p>	Head of HR & Organisational Development
3	There is scope to enhance current systems operational	No	N/A	The absence of comprehensive system documentation increases the risk to the efficiency, effectiveness,	Medium	Procedural documentation for the use of the iTrent system will be obtained and tailored so that the	June 2019	Head of HR & Organisational Development

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>procedures to cover all system modules.</p> <p>In particular, more comprehensive operational procedures are required for the Payroll, Recruitment and HR modules, as well as testing of data post recovery.</p> <p>Moreover, a process is not in place to amend operational procedures following a system update.</p>			governance and continuity of iTrent operations.		Council retains knowledge of the functionality of this system, providing resilience should key administration staff leave, go on holiday or be otherwise absent from work.		
4	<p>Logs of application administration activity (which includes personal identifiable information) are kept as an audit trail of those activities.</p> <p>However, a retention policy for system logs has not been established and the current logs date back to 2015.</p>	No	N/A	The absence of a formal policy for system log data retention increases the risk of non-compliance with data regulations.	Low	IT will be consulted, and the log retention period will be adjusted to meet the organisation's wider information retention policies.	<p>Clear down policy / procedure required.</p> <p>June 2019</p>	Head of HR & Organisational Development