EPSOM AND EWELL BOROUGH COUNCIL

Internal Audit Progress Report

Audit, Crime & Disorder and Scrutiny Committee Meeting

25 June 2019

RSM

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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
ICT Service Catalogue Review (16.18/19)	FINAL	N/a - Advisory	0	3	0
Continuous Assurance Q3 and Q4 (17.18/19)	FINAL	N/a - Advisory	0	1	0

We can confirm that we have now completed all our 2018/19 internal audit work.

2   OTHER MATTERS

2.1 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. This includes combining the Q3 and Q4 continuous assurance reviews in order to fit with management availability. There have also been two additions to the plan, both previously reported to the Committee. The first is Venues Management, that was added in at management request in response to a budget overspend in this area in 2017/18. The second is Health and Safety Property Checks which again was a management request, this time in response to some concerns as to whether the correct checks were being completed and retained.

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
Homelessness (5.18/19)	Reasonable Assurance	0	3	1
Continuous assurance Q1 (6.18/19)	N/a - Advisory	0	1	0
Venues Management (7.18/19)	N/a - Advisory	2	3	0
Treasury Management (8.18/19)	Substantial Assurance	0	1	0
Project Management (9.18/19)	Simply Weekly and Cemetery Extension – Substantial Assurance Ebbisham Exit – Partial Assurance	1	3	1
Continuous Assurance Q2 (10.18/19)	N/a - Advisory	0	1	0
Midland HR ITrent System (11.18/19)	N/a - Advisory	0	3	1
Payroll (12.18/19)	Reasonable Assurance	0	3	3
Residential Property – Health and Safety Checks (13.18/19)	Reasonable Assurance	1	0	0
Corporate Governance (Members) (14.18/19)	Substantial Assurance	0	0	2
Risk Management (15.18/19)	Substantial Assurance	0	1	0

ICT SERVICE CATALOGUE REVIEW - EXECUTIVE SUMMARY

1.1 Background

The Epsom & Ewell Borough Council (the "Council") has an ICT Service Catalogue which constitutes the key collection of business and information technology related services that is performed by and for the Council.

As part of the 2018/19 internal audit plan for the Council we have performed a review of the following areas related to the ICT Service Catalogue as follows:

- Review of the categorisations of each of the systems (high/medium/low) in the catalogue with the purpose of validating them;

- Assessment of the content of the data elements to suggest updates where required; and

- Validation of agreements with third-party suppliers regarding new releases and patching procedures.

This is a factual report to determine whether the areas agreed in the scope (Appendix A) are documented as prescribed. This is an agreed upon procedures assignment delivered at the request of management and the Audit Committee. This report does not provide a level of assurance or formal internal audit opinion and should not be taken to provide such.

1.2 Key findings

The key findings from this review are as follows:

- Categorisation of each system and ICT service is not completed in the ICT Service Catalogue and there is no evidence of business risk assessments supporting the categorisations of High, Medium and Low priorities. Without a comprehensive business risk assessment for each system and ICT service there is a risk of not having sufficient investment in recovery and mitigation strategies for managing any incident affecting critical services provided by the Council in an efficient manner. (**Medium, 2.1**)

- As a result of comparing the ICT Service Catalogue's 31 High priority entries with the completed and up-to-date system support guides, updates to the ICT Service Catalogue were made and highlighted before sharing with the ICT Manager. Since the ICT Service Catalogue as a key source of information is not complete and up-to-date with the system support guides, there is a risk of missing out on updates which are critical for the maintenance of the systems regarding system upgrades and change of system suppliers. (**Medium, 2.2**)

- Agreements signed in 2018 with three third-party suppliers providing High or Moderate priority services were made available for review and they all include information about relevant software upgrades and technical support. However, other agreements could not be located and verified. The Council has signed agreements with a large number of suppliers and without ready access to up to date agreements, the ICT team may miss out on critical upgrades, license renewals and updates which may affect the services provided both internally and to the public. (**Medium**)

2   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 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	Findings summary	Priority	Action for management	Implementation date	Owner responsible
2.1	The ICT Service Catalogue spreadsheet was obtained and reviewed. At the time of this assignment it contained 137 entries covering systems and ICT services available to the Council's various departments. Of these, 31 had been categorised as High priority, 41 as Medium/Moderate, 62 as Low and the rest had not been categorised. Based on information received during the interview with the ICT team we concluded that the categorisation process has not been formally determined, which means that priority and categorisation levels selected are not necessarily a result of formal business impact assessments. Identification of business owners was also missing for the majority of the entries in the spreadsheet. Consequently, we could not validate the categorisations used by the Council. *Implication:* Without a comprehensive business risk assessment for each system and ICT service there is a risk of not having sufficient investment in recovery and	Medium	In a continued process to update the ICT Catalogue, the ICT Management will perform Business Impact Assessments (BIA) together with the business owners to confirm the categorisation/priority level for each system/ICT service. The BIA shall focus on the effects or consequences of any interruption to critical business functions.	30 September 2019	ICT Manager

Ref	Findings summary	Priority	Action for management	Implementation date	Owner responsible
	mitigation strategies for managing any incident affecting critical services provided by the Council in an efficient manner.				
2.2	The ICT Service Catalogue spreadsheet contains the following data elements for the 137 items: • Description of the service provided; • System Support Guide completed; • The software application that achieves that service; • Service, Package or ICT; • The currently-used version of the software; • The importance of the service based on business impact (priority); • The third party responsible for supporting the service; • Documentation RAG status; • Document location; • The users or departments to which the service is delivered; • The primary point of contact for the service; and • Service is Active unless stated Retired. In addition to the ICT Service Catalogue there are system support guides in the process of being updated for each system/ICT service by the ICT Officer. During the onsite visit we reviewed each completed guide for the 31 High priority entries in the catalogue spreadsheet. Each system support guide contains the following data elements: • *System Name;* • *Alternate Name;* • *What does it do?* • Server; • *Business Owner;* • Privileged Access;	Medium	As the ICT department will keep both the ICT Service Catalogue and the system support guides, the data elements in the catalogue will be reviewed. Only the data elements in the ICT Service Catalogue spreadsheet which are critical for the daily support and maintenance of the systems and ICT services will be kept and the following will be added: • Expiry date/license number; • Links to supplier contracts; and • Links to the documentation locations.	30 September 2019	ICT Manager

Ref	Findings summary	Priority	Action for management	Implementation date	Owner responsible
	- Subject Matter Expert; *3rd Party Support;* *Supplier;* *Priority;* - Dependencies; - Delivery Method; *Documentation Location;* - AD Group; and - License/ Expiry Date. The cursive entries in the above list indicate information which is also documented/to be documented in the ICT Service Catalogue. As a result of comparing the ICT Service Catalogue entries with the 31 completed and up-to-date guides, updates to the ICT Service Catalogue were made and highlighted before sharing with the ICT Manager. *Implication*: Since the ICT Service Catalogue as a key source of information is not complete, up-to-date and consistent with the system support guides there is a risk of missing out on updates which are critical for the maintenance of the systems regarding system upgrades and change of system suppliers.				
2.3	Agreements signed in 2018 with three third party suppliers providing High or Moderate priority services were made available for this review as the ICT Manager informed us that older agreements could not be found. The agreements with the third party suppliers of the document management system, Microsoft Dynamics implementation and the geographic information system were reviewed. All have information about relevant software upgrades and technical support. *Implication*: The Council have signed agreements with a large number of suppliers and without ready access to up to date agreements the ICT team may miss out on	Medium	The ICT management will locate the current supplier contracts and make sure that location and contact details are added to the ICT Service Catalogue.	30 September 2019	ICT Manager

Ref	Findings summary	Priority	Action for management	Implementation date	Owner responsible
	critical upgrades and license renewal and updates which may affect the services provided both internally and to the public.				

CONTINUOUS ASSURANCE – QUARTER 3 / 4 - 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. A number of areas where not tested for these quarters owing to staff availability.

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

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 (Q3/Q4)
Purchase order approval	**Not Tested**
Purchase invoice matching and approval	**Not Tested**
Key control account reconciliations	**Not Tested**
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	✓
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**

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	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. As per previous quarter's findings int this area, 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 and onwards have so far been undertaken due to the backlog from 2017 inspections. 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.	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. 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 going forward.	Jeremy Young – Tree Officer	31 May 2018