



GEDLING BOROUGH COUNCIL

Internal Audit Progress Report

Audit Committee

19 December 2017

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

Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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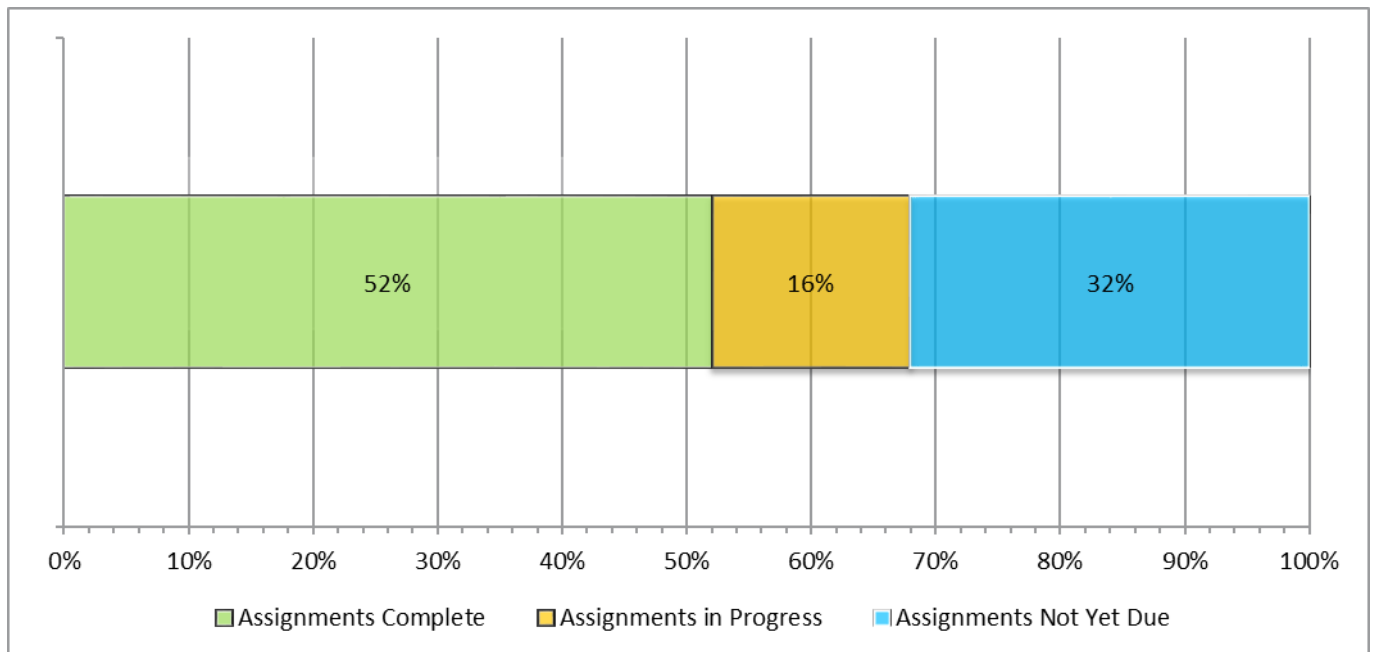
We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 INTRODUCTION

The internal audit plan 2017/18 was approved by the Audit Committee on 21 March 2017; RSM were allocated a total of twenty-five planned reviews.

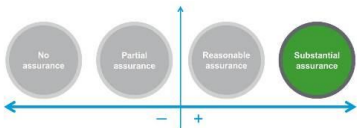
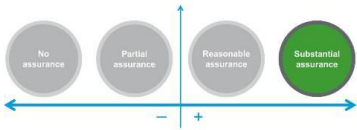
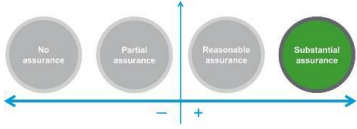
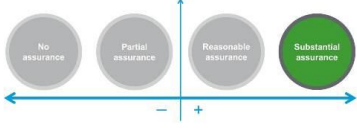


This report provides a summary update on progress against the planned reviews and summarises the results of our work to date. Please see chart below for progress against the plan.




2 REPORTS CONSIDERED AT THIS AUDIT COMMITTEE

This table informs of the audit assignments that have been completed since the last Audit Committee.

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

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Follow Up 1 (1.17/18)	Final	Reasonable Progress	0	1	4
Ethical Phishing Campaign (4.17/18)	Final	A simulated phishing campaign to assess the level of user awareness in respect of current cyber risks was undertaken. Details of the results of the campaign and action plan are attached to this report			
Cash and Banking (5.17/18)	Final		0	1	3
S106 Agreements & Community Infrastructure Levy (6.17/18)	Final		0	0	0
Creditors and e-Procurement (7.17/18)	Final		0	0	2
Car Parks (8.17/18)	Final		0	1	1
Housing Benefits and Council Tax Reduction Scheme (9.17/18)	Final		1	0	1
Enforcement (12.17/18)	Final		0	0	2

Assignment	Status	Opinion issued	Actions agreed		
			H	M	L
Payroll (13.17/18)	Final		0	0	0

2.1 Impact of findings to date



Follow Up 1

Conclusion: Reasonable Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, one medium priority and four low priority findings were identified, and management actions were agreed for all findings.

The medium finding relates to:

- Testing of five months of NNDR cash receipting reconciliations highlighted instances of delays in preparing and reviewing of cash reconciliations. (NNDR 4.16/17)
-



Ethical Phishing Campaign

Conclusion: n/a

Formal Opinion not issued for this review.

The results of the campaign have been discussed with management and a report detailing the results of the exercise along with key findings and action plan have been made available to management. A list of users has been provided to management detailing what actions users took upon receipt of phishing emails.

The key findings relate to:

- The spam filter did not block the re-formatted phishing email and all emails were delivered without restriction.
 - The percentage of staff who clicked on the phishing links was higher than the sector average, it represents a significant risk to the organisation as it only takes one user to respond for an attack to succeed.
-



Cash and Banking

Conclusion: Substantial Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, one medium priority and three low priority findings were identified, and management actions were agreed for all findings.

The medium finding relates to:

- Failure of some car park ticket machines to either produce an audit control ticket or to produce one that is not damaged or unusable; this results in cash collected and banked being recorded as being significantly higher than the amount recorded as the expected income which should be identified from an audit ticket produced at each ticket machine.
-



S106 Agreements & Community Infrastructure Levy

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken no findings were identified.



Creditors and e-Procurement

Conclusion: Substantial Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken two low priority findings were identified, and management actions were agreed for both findings.



Car Parks

Conclusion: Substantial Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, one medium priority and one low priority finding were identified, and management actions were agreed for all findings.

The medium finding relates to:

- Car Park Inspection reports were not always being fully completed to identify defects, evidence remedial works and confirm who had completed the car park inspection.
-



Housing Benefits and Council Tax Reduction Scheme

Conclusion: Reasonable Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken, one high priority and one low priority finding were identified, and management actions were agreed for both findings.

The high finding relates to:

- There is no segregation of duty throughout the weekly payment run process. As a result, there is a significantly increased risk of fraud and/or error occurring.
-



Enforcement

Conclusion: Substantial Progress

Impact on Annual Opinion: Positive

As a result of testing undertaken two low priority findings were identified, and management actions were agreed for both findings.



Payroll

Conclusion: Substantial Assurance

Impact on Annual Opinion: Positive

As a result of testing undertaken no findings were identified.

3 LOOKING AHEAD

Assignment area	Timing per approved IA plan 2017/18	Status
Organisational Development	Q2	Draft Report Issued
Events Management	Q3	Draft Report Issued
Contract Management	Q3	In Progress
Debtors and Debt Recovery	Q3	In Progress
Partnerships and Voluntary Sector Grant Aid	Q3	In Progress
Council Tax and NNDR	Q3	In Progress
Capital Accounting and Asset Register	Q3	Scheduled 08/01/2018
Follow Up	Q3	Scheduled 08/01/2018
Main Accounting System	Q3	Scheduled 08/01/2018
Budgetary Control and Setting	Q3	Scheduled 15/01/2018
Risk Management	Q3	Scheduled 26/02/2018
Treasury Management	Q4	Scheduled 26/02/2018
Housing Needs	Q4	Scheduled 26/02/2018
IT Review *	Q3	TBC

* One IT Review has been completed and a report on 'Ethical Phishing' is being presented as part of this progress report. We are agreeing the coverage for the second IT review with management.

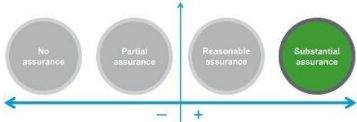
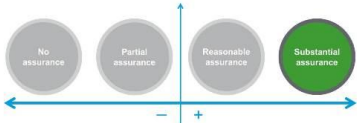
OTHER MATTERS

3.1 Changes to the audit plan

At the request of management, the 'Reconciliations' audit has been removed from the internal audit plan as this area can be reviewed as part of other individual audit reviews.

APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

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

Assignment	Status	Opinion issued	Actions agreed		
			L	M	H
Geographic Information Systems, Land Charges, Street Naming & Numbering (2.17/18)	Final		3	0	0
Corporate Governance (3.17/18)	Final		0	0	0

FOR FURTHER INFORMATION CONTACT

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FOLLOW UP PART 1 - EXECUTIVE SUMMARY

1.1 Introduction

As part of the approved internal audit periodic plan for 2017/2018 we have undertaken a review to follow up progress made by you to implement the previously agreed management actions. The audits considered as part of the follow up review were:

- IAR 1617-01 – Debtors;
- 02.16/17 – Payroll;
- 03.16/17 – Creditors;
- 04.16/17 – NNDR;
- IAR 1617-05 – Banking; and
- 07.16/17 – Financial Management System.

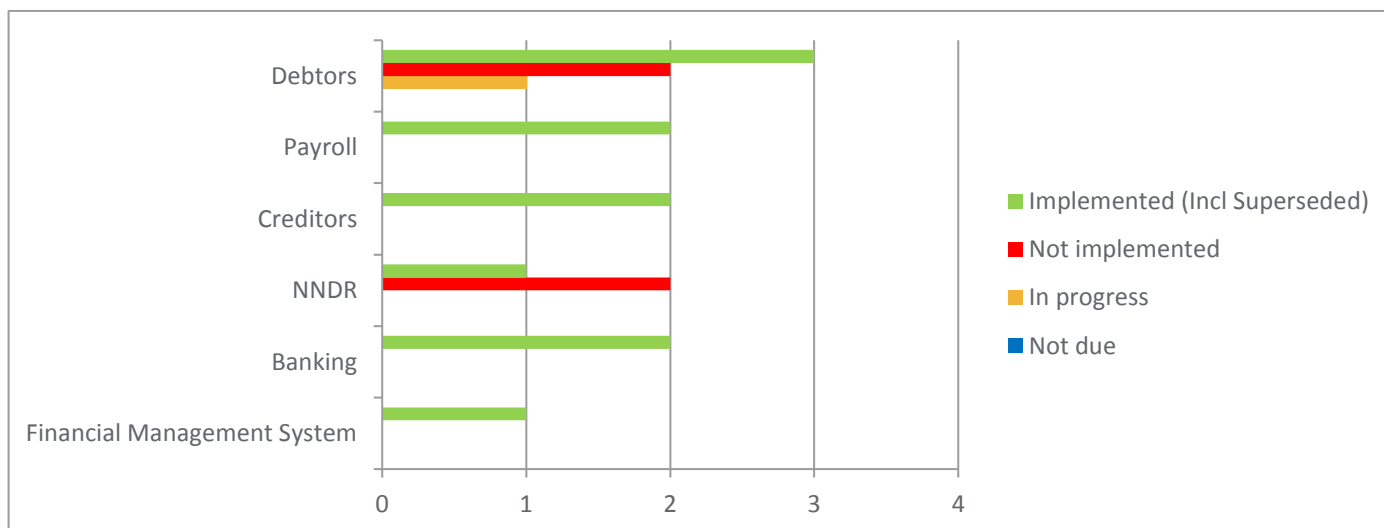
The 16 management actions considered in this review comprised of three 'Medium' and 13 'low' actions. The focus of this review was to provide assurance that all actions previously made have been adequately implemented. For actions categorised as 'low' we have accepted management's assurance regarding their implementation.

1.2 Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A; in our opinion Gedling Borough Council has demonstrated reasonable progress in implementing management actions agreed to address internal audit management actions.

We have reiterated management actions where these have not yet been implemented. In addition, we have made new/revised management actions where appropriate; these are detailed in the action plan.

The following graph highlights the progress made on the actions that have been followed up.



1.3 Action tracking

Action tracking enhances an organisation's risk management and governance processes. It provides management with a method to record the implementation status of actions made by assurance providers, whilst allowing the Audit Committee to monitor actions taken by management.

Gedling Borough Council's management maintain an audit recommendation log for internal tracking and are currently in the process of switching to Covalent for this process.

1.4 Progress on actions

Implementation status by review	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Confirmed as completed or no longer necessary (1)+(4)
IAR1617-01 Debtors	6	3	1	2	0	0	3
02.16/17 – Payroll	2	2	0	0	0	0	2
03.16/17 – Creditors	2	1	0	0	1	0	2
04.16/17 – NNDR	3	1	0	2	0	0	1
IAR1617-05 Banking	2	2	0	0	0	0	2
07.16/17 – Financial Management System	1	1	0	0	0	0	1

Implementation status by management action priority	Number of actions agreed	Status of management actions					
		Implemented (1)	Implementation ongoing (2)	Not implemented (3)	Superseded (4)	Not yet due (5)	Confirmed as completed or no longer necessary (1)+(4)
Medium	3	2	0	1	0	0	2
Low	13	8	1	3	1	0	9
Totals	16	10	1	4	1	0	11

2 FINDINGS AND MANAGEMENT ACTIONS

This report has been prepared by exception. Therefore, we have included only those actions graded as 2 and 3. Each action followed up has been categorised in line with the following:

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

ASSIGNMENT TITLE: 04.16/17 – NNDR									
Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
5	Each month the reconciliation of the cash received values on Civica and the cash receipting values on the Financial Management System (Agresso) will be undertaken soon after the month end.	31 March 2016	Medium	<p>Testing a sample of 5 months of reconciliations from November 2016- to April 2017 found:</p> <p>The reconciliation for November 2016 was not prepared until 42 working days after the end of the month, the review of this reconciliation was then not undertaken for a further 18 working days.</p> <p>The reconciliation for December 2016 was not prepared until 23 working days after the end of the month, the review of this reconciliation was then not</p>	3	Reconciliations are currently under review and new processes should assist to reduce any delay in reconciliation preparation and authorisation. Future reconciliations will be prepared and reviewed in a timely manner following the month end.	Medium	31 December 2017	Service Manager – Revenues and Benefits

ASSIGNMENT TITLE: 04.16/17 – NNDR

Ref	Management action	Original date	Original priority	Audit finding	Current status	Updated management action	Priority issued	Revised date	Owner responsible
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undertaken for a further 17 working days.

The reconciliation for February 2017 was prepared in 9 working days after the end of the month, however, the review of this reconciliation was then not undertaken for a further 15 working days.

The reconciliation for March 2017 and April 2017 have been prepared in a timely manner however they are yet to be formally checked and authorised by the Service Manager.



ETHICAL PHISHING CAMPAIGN – FINAL REPORT

Gedling Borough Council

August 2017

4.17/18

Campaign Background

- We attempted an initial e-mail from David.Archer@gedling.gov.uk, this was successfully blocked by the spam filter.
- We reformatted the initial e-mail to be from David.Archer@gedling.org.uk, this was successfully delivered.
- The number of users in the sample population was **433** from the same @gedling.gov.uk domain.
- The text of the e-mail was provided by RSM and confirmed by Gedling Borough Council.
- The user sample used in the test was supplied by Gedling Borough Council.

Combined results of Both Phishing Tests 1 and 2

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232 users of 866 e-mailed
clicked the link

Email Status



Test 1 –Internet
Usage Policy

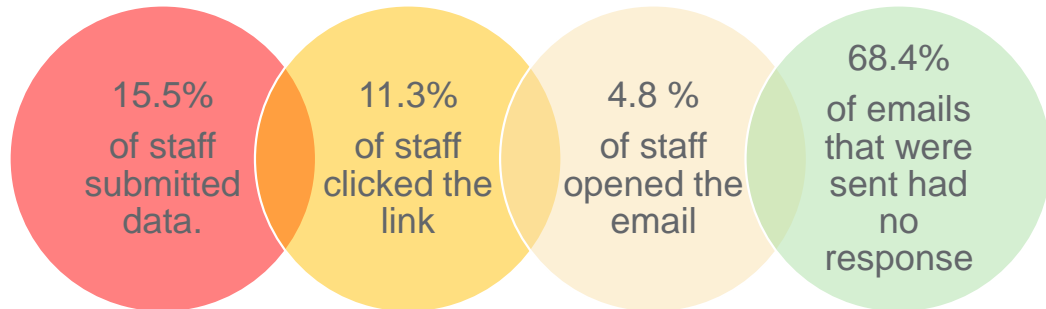
Email Status



Test 2 – PCN
Fine notice

Emails sent	No response	Email opened	Link clicked	Submit Data
866	592	42	98	134

Combined Phishing test results



It should be noted that these e-mails were based on a generic spam message and not a targeted phishing campaign.

1 CASH AND BANKING - EXECUTIVE SUMMARY

1.1 Background

We carried out an audit of the Council's cash collection, including cheques and banking arrangements; as part of the agreed annual internal audit plan for 2017-18. Our objective was to ensure that the income collection and banking processes are adequately controlled, to minimise or prevent, potential financial losses to the Council. Our review covered all areas of the Council's operations, where income is received and processed. These include: the centralised Cash Office; the Post Room; the Customer Self Service Kiosk, Car Parks and Leisure Centres. Our audit testing was focussed on the accuracy and efficiency of the transactional processing carried out. All transactions in the month of June 2017 (four weeks) were tested to confirm that the income was properly receipted, reconciled and processed, banked intact, received into the Council's bank account and then, posted accurately into the General Ledger.

The Council has retained a centralised cash office function. This receives, receipts and processes all income received at the Council's Arnott Hill Park offices. Income can be received in a number of ways including: via the post; where the post room processes mail and records all cheques received prior to passing them to the cash office for receipting and banking; on-line and telephone payments are also received and processed by the cash office. The Council's Reception staff no longer accept cash, cheque or card payments over the counter, instead, customers are directed to a self-service kiosk. The kiosk resembles a banks' ATM machine and accepts payments for all bills and invoices issued by the Council. These include: council tax and NNDR instalments; licence fees; planning fees and Penalty Charge Notices. On-screen guidance and self-help is provided to all customers which makes the automated payment process as simple as possible. For customers paying with cash, the Kiosk will issue any change required. Staff from the central cash office ensure that the Kiosk is serviced twice daily, the income is reconciled to the payments register within the system. It is emptied of cash and cheques, for banking, and the float is restored. In addition, a night-safe facility is available. This can be used by customers to deposit payments out of hours, when access to the self-serve kiosk is not available. The night-safe is opened and checked daily and all contents are transferred into the cash office for processing. All cash and cheques are collected daily by Security Plus and are securely transported and banked. The procedures in place are streamlined and efficient but still ensure that segregation of duties is enforced and where necessary, two members of staff are always present.

All car parking income is collected from each ticket machine by an external contractor. A security ticket detailing the cash takings that have been registered by the machine, should be generated automatically very time the machine is emptied. The contractor reconciles the cash collected to the security ticket and then the cash is collected by a security contracted and is banked. Details of the amounts banked are provided to Finance who then reconcile the banking to the bank statement and raise the necessary accounting entries.

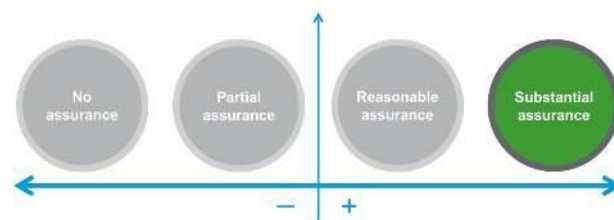
Each of the Council's five Leisure Centres are responsible for the daily reconciliation of actual income to the control 'Z' readings, produced by the cash register system. Daily income reconciliations are carried out and copies are forwarded to Finance, who reconcile the cash received in the bank statement to the daily income summary. Security Plus collect the income from each Leisure Centre and ensure that it is banked, timely and securely.

1.2 Conclusion

From our audit testing, we established that all income recorded by the cash registering systems is banked and is received intact into the Council's bank account in a timely fashion. We have raised one medium and three low priority findings. The medium priority finding is in relation to the failure of some car park ticket machines to either produce an audit control ticket or if one is produced, to produce one that is not too badly damaged to be used. The low priority management actions are designed to address minor control weaknesses identified at the Leisure Centres.

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 risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- The Council's Financial Regulations are included within the Council's Constitution and sets out the responsibilities for Cash & Banking, Income recording and reconciliations. The Constitution was last subject to review in November 2016.
- The Academy cash receipting system is used by the cash office and all payments are received and processed, ready for banking, by the cash office.
- Procedure notes are in place which covers the collection and receipting of income received at the Cash Office and at Leisure Centre's reception. Procedure notes are stored on the local shared drive and are accessible by all staff members responsible for the handling and processing of cash.
- On testing the daily cash up reports for the month of June 2017; the total of cash, cheques, on-line and debit card payments reconciled to the daily banking summary and all income received via the Academy system was traced where appropriate via paying in slips and Security Plus receipts into the Bank Statement. Our testing did not identify any discrepancies in respect of income received via the Central Cash office.
- Cash and Cheques for banking are packaged in the special cash in transit bags provided by Security Plus. A paying in slip is raised and placed in in each together with the items for banking. Security Plus are contracted to collect cash/cheques for banking at an agreed time every day.
- A review of the Council's insurance policy established that cover is provided for loss of money on the premises, in custody of staff up to £35,000; money contained in locked safes or strong-rooms up to £35,000 and other money not in safes up to £100.
- The Council has a number of safes located in the Cash Office and behind the payment Kiosk. In addition, safes are located in each of the Leisure Centres and in Jubilee House. We observed from our audit visits that all the safes are in secure locations and are out of public view. Testing of the three sites safes found that only duty managers have access to the safe via a six-digit pass-code at two sites and a combination safe at the other site. A spot check of the safes current values confirmed the safe limits of £35k had not been exceeded.
- At the Leisure Centres the cashing up of the income received is carried out at the end of each shift completed by receptionist/leisure centre workers and is also counted by the duty manager on site. Once counted and reconciled to till slip and are then bagged and are stored in the safe overnight. The banking's are collected by Security Plus on Mondays, Wednesdays and Fridays. Testing the banking for the month of June established that paying in slips are completed for cash and separately for cheques. A collection receipt is produced upon collection and signed by both the Leisure Centre and Security Plus.

However, we have raised a total of four management actions, comprising one 'medium' priority and three 'low' priority actions.

The 'medium' priority management action is designed to address the control weakness caused by the failure of some car park ticket machines to either produce an audit control ticket or to produce one that is not damaged or unusable.

The three 'low' priority management actions relate to control weaknesses identified by our testing carried out at the Council's five leisure centres.

- During our testing of daily shift cashing up sheets at five leisure centres during June 2017 there were instances identified where the sheets had not been signed by two members of staff;
- The collection receipt issued by the security contractor when taking possession of the banking cash bag, is not always retained and filed. In the event of the loss of a bag or a query regarding its contents; the Council may not be able to evidence that the bag has been collected;
- Our testing of the reconciliations of the banking report to the ledger report identified that where variances are identified, the explanation of the variance and any corrective actions taken is not always documented on the reconciliation.

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 management actions		
					Low	Medium	High
Loss or theft of cash/ income Risk Ref: DW69 and HB35)	0	(14)	4	(14)	3	1	0
Failure to provide receipt fees for income and undertake reconciliations - planning applications etc. (Risk Ref: HOPEG19)	0	(4)	0	(4)	0	0	0
Total					3	1	0

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

2 DETAILED FINDINGS

Categorisation of internal audit findings

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

This report has been prepared by exception. Therefore, we have included in this section, only those 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	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Risk: Loss or theft of cash/ income (Risk Ref: DW69 and HB35)

3	The car parks ticket machines are emptied by a third-party contractor. The cash collected from the ticket machines is then collected by Loomis and is banked.	Yes	No	<p>Car Parks</p> <p>We tested all Car Park Income for the month of June 2017 and were able to trace the cash collected from the cash collection reconciliation sheet, completed by the third-party contractor who empties the Car Parking Ticket machines.</p> <p>Our testing identified that on a number of occasions, the cash collected and banked was significantly higher than the amount recorded as the expected income, which should be identified from an audit ticket produced by each ticket machine every time it is emptied.</p>	Medium	We will ensure that the Car Parking Ticket machines are serviced and the cause of the faults that are preventing the production of viable audit control tickets will be identified and rectified. In the event that the machines does not produce a ticked the Car Parks Officer will produce a 'ticket' from the car park system report and include it in the Cash Collection summary, which they will sign and dated for	31 December 2017	Service Manager, Property
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Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>The reason for this is the failure of some ticket machines to either produce an audit control ticket or to produce one that is damaged or unusable. In these cases, the audit control total is recorded as zero and no explanation is provided on the Collection Summary. This gives the impression that significantly more cash has been collected, than has been registered by the machine.</p> <p>We confirmed that the Car Parks Officer can access the data contained in the ticket machines and check the value that would have been recorded on the audit ticket and he can then check if the actual cash counted reflects what should have been recorded on the audit ticket. This check is not recorded on the Cash Collection Summary sheet provided to the Audit team and is only available in Jubilee House. We have since reviewed the checks carried out by the Car Parks Officer and agree that these checks explain that the apparent overbanking is caused by the lack of an audit control ticket.</p> <p>When ticket machines do not produce a viable audit control total at the time the ticket machine is emptied, it is not possible to verify that the actual cash collected and</p>		consideration in the reconciliation		

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				banked, matches the income registered through ticket sales.				

S106 AGREEMENTS AND COMMUNITY INFRASTRUCTURE LEVY - EXECUTIVE SUMMARY

1.1 Background

A review of Section 106 (S106) Agreements and Community Infrastructure Levy (CIL) liabilities was undertaken as part of the approved internal audit plan for 2017/18.

S106 and CIL are conditions and charges which are applicable to certain planning applications. A developer will submit a planning application and its liability for S106 and CIL will be calculated based on a number of factors, such as the size and floor space of the proposed development and any the legal status of the organisation making the application.

S106 refers to the section within the Town and Country Planning Act 1990, with the Agreements being used as a mechanism which make a development proposal acceptable in planning terms, which would not otherwise be acceptable. S106 requirements of developers can include, for example, the installation of extra bus stops or to build a playground where the proposed development is a large housing estate. The Council received approximately £1.46 million S106 income in the previous financial year (2016/17), and have received approximately £80,000 so far in the 2017/18 financial year.

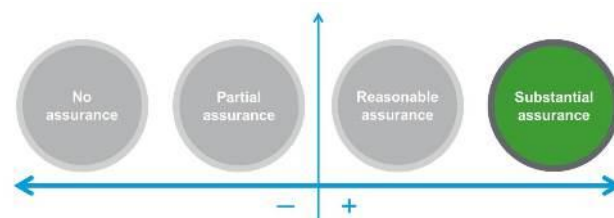
CIL is a charge which can be applied to developments to provide infrastructure to support the local area, rather than making an individual planning application acceptable, which is the purpose of S106 Agreements. The Gedling CIL has been in effect since October 2015. In the financial year 2016/17, the Council issued 26 Liability Notices and in the 2017/18 financial year to date, have issued 18 Liability Notices.

1.2 Conclusion

The review of S106 and CIL identified that the control framework was robust, and as a result no management actions have been agreed, resulting in a 'green' overall audit opinion.

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 risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- It was confirmed that the Council's Core Strategy and Local Plan documents detail the policies for the development and use of land in the Council's area, including the consideration of Section 106 Agreements. The Strategy document sets out the Strategic Policy direction for future development in Gedling Borough. It is used to help decide planning applications and guide the location and design of development in the Borough.
- Through review of the Council's website, it was confirmed that there are various policies and procedures which are made available to potential developers. Internally, the Council has in place a Monitoring and Implementation Policy which outlines the processes and responsibilities in relation to S106 Agreements. This is made available on the shared drive and is disseminated to all staff. The procedure is reviewed and updated as and when any changes to processes occur.
- Through testing of a sample of five section 106 Agreements in place, it was confirmed that reports including the recommendation for approval of the Agreement were provided to the Planning Committee in all instances, with subsequent approval obtained. Furthermore, in all instances planning permission was only granted after a Section 106 Agreement is in place.
- A log of all S106 Agreements is maintained, recording details of the obligation(s), agreed payment dates, trigger points, time constraints, etc. Monitoring of Section 106 Agreements is undertaken to ensure that obligations are all fulfilled in line with the signed Agreement.
- Access to the S106 database is restricted to appropriate personnel only. Access levels are assigned based on the individual / departments roles and responsibilities. It was confirmed that all departments which required access were granted with access.
- Through discussion with the Principal Finance Business Partner, it was established that a S106 reconciliation spreadsheet is maintained showing the allocation of income from S106 Agreements and the balances outstanding. The records detail each scheme, the capital received, interest and the capital applied with a remaining balance. Income split into revenue is detailed with the amount of revenue received, interest, revenue applied and balance remaining. The repayment date as per the Agreement is captured as well as details on the creditor.
- An Annual Monitoring Report (AMR) is provided to Full Council on all S106 related matters, summarising the case and the total amount collected / to be collected. AMR's need to be reported by the following December after year end. The Council also have in place a S106 CIL Working Group which meet regularly to discuss any issues and to provide an update on S106 Agreements. The Group consists of representatives from across the Council.
- Review of the minutes of Full Council meeting held on Wednesday 15 July 2015 confirmed that it was agreed to adopt the Community-Infrastructure Levy, which came into effect on 16 October 2015. A Local Plan viability assessment was undertaken by the Nationwide CIL Service in March 2016, and it confirmed the Plan to be viable.
- Review of the Council's website, in particular the 'Planning' section, found extensive information on CIL, including; who is liable; where the levy will be spent; the process to be followed, etc. Guidance notes were maintained up to date following approval.

- Testing of a sample of five CIL liability notices issued, comprising of four liable to pay and one granted relief, identified that CIL had been applied appropriately and relief only applied to an eligible development. Furthermore, it was confirmed the amount due was appropriately calculated based on a pre-determined formula which is advertised on the Council's website.
- CIL is due from the date of commencement of the works, and can be paid in instalments. Testing confirmed that the Council has a clear procedure in place where payments have not been received and are escalated to the Legal Department where necessary. Where appropriate in the samples tested, payment plans had been put in place to recover monies owed.
- A 'Regulation 123 list' is in place which specifies approved projects which CIL income can be spent on. The 123 list is published on the Council's website and is dated October 2015. The list was approved by Cabinet in September 2015.

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 management actions		
					Low	Medium	High
Failure to successfully negotiate S106 Agreements for affordable housing (Risk Ref: SB24), education, public open space and other infrastructure associated with new development.	0	(14)	0	(14)	0	0	0
Failure to implement Community Infrastructure Levy (Risk Ref: HOPEG26)	0	(8)	0	(8)	0	0	0
Total					0	0	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.

CREDITORS AND E-PROCUREMENT - EXECUTIVE SUMMARY

1.1 Background

An audit of Creditors and e-Procurement was undertaken as part of the approved internal audit periodic plan for 2017/18.

The Creditors Team is made up of the Senior Creditors Assistant and Senior Assistant Accountant who are responsible for the day to day operations of the creditors process. The Council use the Agresso, Milestone 5 system to process orders and transactions.

Delegated authority limits are set within the systems workflow parameters to allow purchases and values to be reviewed and approved electronically by Budget Holders. At the time of the audit a total of 4,379 purchases had been made totalling a value of £8,564,932.

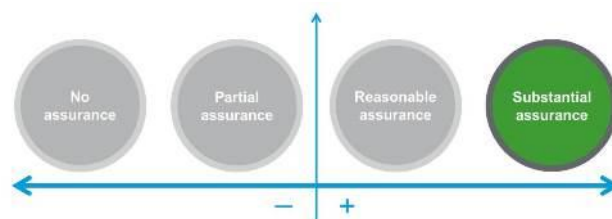
Payments are made on Monday, Wednesday and Friday of every week with both a BACS and cheque run being processed which is reconciled to the General Ledger and outstanding invoices.

1.2 Conclusion

Our review identified that the internal controls for the creditors function are in place and working effectively for the purchasing and procuring of goods and services. However, we have identified two 'low' management actions relating to obtaining quotes in the procurement process and retrospective purchase orders.

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 risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Financial Regulations are in place, up to date and available to all staff via the intranet. In addition, substantial procedure notes are held by the Creditors Team documenting the process in depth.
- New suppliers are added to the system upon receipt of a completed new supplier form and an independent check is undertaken on bank details directly with suppliers prior to addition.
- Supplier amendments are made upon receipt of notification from the supplier and independent checks are made to verify the change with existing contact details.

- BACS and cheque runs are completed three times a week and in all instances for the last six runs it was confirmed that they had both been independently reviewed and approved prior to payment and the value matched throughout.

However, the following control deficiencies were noted:

- Testing a sample of 20 purchases from purchase order through to payment of invoice found that three of the purchase orders were raised retrospectively of the order being made with the supplier. Therefore, the order was made prior to approval from the relevant Budget Holder.
- Testing the same sample of 20 purchases found two of the sample were above £10,000 and required three quotes to comply with procurement procedures. One of these could not be tested as no evidence could be located and provided to confirm that three quotes had been obtained.

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 management actions		
					Low	Medium	High
Ongoing failure of / errors within the creditors system. (Risk Ref: MH57)	0	(18)	2	(18)	2	0	0
Total					2	0	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.

CAR PARKS - EXECUTIVE SUMMARY

1.1 Background

An audit of car parks was undertaken as part of the approved internal audit plan for 2017/18. The audit was designed to provide assurance that the Council is meeting the requirements of car park users throughout the borough.

A total of 34 car parks are managed by Gedling Borough Council, comprising of 26 pay and display and free car parks and eight permit holders only sites. Fees and parking enforcement charges are approved by the Cabinet.

The Council is a member of the Nottinghamshire Parking Partnership (NPP), which was established in 2008 to provide fair and consistent parking enforcement across the county. Seven District and Borough Councils and Nottinghamshire County Council form the partnership, with the latter operating a central processing unit for all Penalty Charge Notices (PCNs) issued across the county. NSL are contracted by NPP to provide parking enforcement services.

Five pay and display, three permit holders only and two free car parks were visited to ensure that suitable signage was in place and reflecting the Council's agreed parking tariffs. These car parks were:

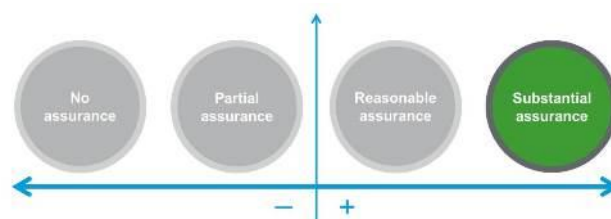
- Burntstump Country Park;
- Bonington Road;
- St Albans Road;
- Croft Road;
- Standhill Road;
- Kozi Kots;
- Arnot Hill House;
- The Time Centre;
- Thackeray's Lane; and
- Carlton Forum Leisure Centre.

1.2 Conclusion

Our review has established that the Council has robust controls in place to manage its car park income and enforcement. One medium priority management action has been agreed, relating to the maintenance of inspection records. A low priority action has been raised for Leisure Services, and Parks and Street Care to review signage at free car parks to ensure that it is adequate.

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 risk are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Guidance is in place for key functions of maintaining Council car parks, including for inspections, cash collection and reconciliation of income. A Complaints and Compliments Policy is also in place for Council customers.
- Council car parks are inspected at least once every two months to ensure that they are in adequate condition.
- Car parking tariffs are agreed by the Council's Members and the Council is obligated to communicate any amendments to the NPP Parking Board. Only approved tariffs are charged in pay and display car parks.
- An agreement is in place for the NPP stipulating the functions and financial arrangements of each partner.
- The same ticket template is used at all pay and display car parks, including key information about the duration and cost of parking.
- Audit tickets are produced by car park ticket machines when emptied, recording the date, time and location as well as the value and number of coins in the machine. Each week tickets are reconciled to the amount of cash collected and variances investigated. Significant differences were identified and a management action for this was raised as part of the Cash and Banking (5.17/18) audit.
- The Council has no Park Mark car parks and there are no plans to obtain this standard.
- The Civil Enforcement Off-Street Parking Places Order is in place and was approved by the Council in 2014. It reflects the current tariffs and arrangements in place.
- Parking enforcement services are managed for the NPP by an external agency, NSL. A central processing unit at Nottinghamshire County Council is responsible for overseeing all PCNs issued across the county and recorded in the Chipside Case Manager system for review by the Council's Car Parks Officer.
- PCNs are issued to all car owners found to be in contravention of the Council's parking requirements. A standard template is used.
- Customer complaints are addressed within ten working days and actions are centrally recorded.
- Quarterly reports are run on car park income and expenditure identifying any variances against budget in excess of £5,000. Reports are presented to the Cabinet at quarterly meetings for review.

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 management actions		
					Low	Medium	High
Lack of an effective car parking strategy (Risk Ref: MH48)	0	(13)	2	(13)	1	1	0
Total					1	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 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	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Risk: Lack of an effective car parking strategy (Risk Ref: MH48)								
1	Car parks are inspected on a monthly basis to confirm that they are in adequate condition. Where defects are identified, inspection reports are completed recording: <ul style="list-style-type: none"> Area in which the defect has been identified (for example carriageway, wall, trees, lamp column); 	Yes	No	<p>A sample of 10 car park inspection reports completed during financial year was selected to confirm that actions were identified and taken to remedy defects in a timely manner.</p> <p>Testing established that eight inspection reports recorded actions for ongoing works. However, in two cases, actions had not been recorded to rectify identified defects in the car parks.</p> <p>Five of the ten reports recorded a date on which remedial works were undertaken. A further five reports did not evidence that works had been completed, although three of the</p>	Medium	<p>Inspection reports will be fully completed, dated and signed by the inspecting officer. Remedial works will be recorded in inspection reports and dated as complete.</p> <p>Where there is a delay in completing such work, this will be documented.</p>	9 October 2017	Service Manager - Property

Ref	Control	Adequate control design	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> Maintainable defect details; and Action taken. <p>Recommended works are completed in a timely manner to ensure that car parks are safe and suitable.</p>			<p>reports were from August 2017 and therefore may have been rectified as part of the September 2017 inspection cycle. The remaining two cases were from July and May respectively and we were unable to ascertain whether such works had been completed. None of the ten inspection forms were signed to confirm the staff member completing the inspection. One further report was not dated.</p> <p>By not maintaining fully completed inspection reports, there is a risk that, should a complaint be made, the Council will be unable to confirm that inspections have been undertaken and by whom. This could lead to significant reputational and financial damage should a member of the public seek compensation from the Council owing to damages incurred on Council property.</p>				

HOUSING BENEFITS AND COUNCIL TAX REDUCTION SCHEME - EXECUTIVE SUMMARY

1.1 Background

An audit of Housing Benefits and Council Tax Reduction Scheme (CTRS) was undertaken as part of the approved internal audit periodic plan for 2017/18. The objective of the audit was to ensure that benefits and council tax reductions are processed accurately, based on valid supporting evidence, and on a timely basis, leading to accurate payments made to claimants.

The Authority's Housing Benefit function is managed through the Civica system. For the three months prior to the date of audit, the Benefits Team had processed a total of 945 new housing benefit and CTRS claims.

New Claims are processed once all the appropriate information has been received from the claimant. New claims are selected randomly by the Civica system to undergo the quality assurance review process. Following review, the claim is sent back to the initial assessor processing the claim. Assessors are notified via the system as to whether the claim has passed the quality assurance check or whether any further action is to be taken. Any short falls or areas of weakness in staff training are also highlighted and monitored as part of the quality assurance process.

The Council has developed a series of local Key Performance Indicators which are monitored in relation to Revenues and Benefit. Performance monitoring includes: the time taken to process new claims; average number of days taken to process changes in circumstances and the percentage of data matches. In addition, the Council also do benchmarking and the results are compared with other Local Authority's within the Borough.

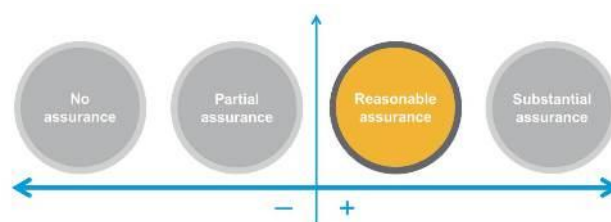
In the last financial year, Gedling Borough Council were placed in the top 2% of all local authorities for the speed in which they processed Housing Benefit claims; achieving an average of 9-10 days.

1.2 Conclusion

Our review identified that the internal controls for the Housing Benefit and CTRS processes are in place, however we have identified one 'high' and one 'low' priority management actions relating to the payment run process and the systems capabilities for processing write-offs.

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:

- The Council has in place policies/procedures in relation to the Housing Benefit and CTRS processes. These include: overpayments (including write offs); payment run procedure; and direct payment policy.
- The Council have in place a Revenues and Benefits Service Area Plan for 2016-19 which outline covers Housing Benefit and CTRS (and other service areas) in terms of strengths, weaknesses, opportunities and threat. It also details the priorities and objectives of the service area and the actions to take to achieve those objectives.
- The Department of Working Pensions (DWP) legislative and technical changes/updates are received and communicated to Benefit employees.
- At the start of the financial year, the correct annual uplift is applied and the benefit parameters are updated correctly.
- Access to the Benefits system is restricted to nominated employees, by use of usernames and passwords. Only authorised staff are able to amend the system parameters. Furthermore, benefits staff have completed declarations of interests identifying relatives and close friends claiming benefits. Their access to amend the accounts of these claimants has been restricted to view only.
- All new claims and change of circumstances are processed following the receipt of adequate supporting documentation. The Council have an agreement in place with Core Credit, a DWP authorised entity who the Council use to assign individuals claiming benefits a risk score, which determines the level of supporting documentation required to process the claim.
- Testing confirmed that a sample of applications are re-assessed by a different Officer to that completing the initial assessment to ensure that the housing benefit claim has been correctly processed in line with current legislation.
- Write-offs of overpayments that cannot be collected are recorded and authorised appropriately. All write-offs are authorised prior to the amount being written off on the system.
- The feed from the Civica system is reconciled to the Agresso financial management system on a monthly basis. The reconciliation is signed as completed and reviewed by an independent officer.
- Furthermore, The Housing and Welfare Support Officer runs a report from the CTRS system on a monthly basis, reconciling to a transaction and financial report from the Civica System in order to ensure council tax balances are correct. At year end, the reconciliation is undertaken to ensure opening balances are accurate.

However, testing identified the following weakness in the Councils control framework. As a result, management actions have been agreed to be implemented to mitigate the associated risks:

- There is no segregation of duty throughout the weekly payment run process. As a result, there is a significantly increased risk of fraud and/or error occurring.
- The Civica system automatically processes write offs when claimants are in receipt of both Housing Benefit and Universal Credit, thus resulting in an overpayment which the Council which is recovered in full from the Government. Without any element of human control, there is a risk that transactions are being incorrectly written off, which could result in write offs being overstated.

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 management actions		
					Low	Medium	High
Failure to process Housing Benefit claims in a timely or effective manner (Risk Ref: MH72)	1	(11)	1	(11)	1	0	1
Failure to deliver Statutory Returns – Revenues CTB1, NNDR1 (Risk Ref: MH77)	0	(2)	0	(2)	0	0	0
Lack of an effective Benefit Strategy (Risk Ref: MH79)	0	(2)	0	(2)	0	0	0
CT Technical Reforms insufficient to fund CTRS scheme payments (Risk Ref: MH81)	0	(3)	0	(3)	0	0	0
Total					1	0	1

* 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: Failure to process Housing Benefit claims in a timely or effective manner (Risk Ref: MH72)								
2	A weekly reconciliation of cheques and BACS payments is made against the expected payment reports from Civica, before being processed and paid to claimants. There is segregation of duty throughout the process and any variances are investigated.	No	-	<p>There are currently two team leaders that carry out the payment run process. Discussion with a Team Leader established that a payment run takes place every Thursday, and is performed from start to finish by the Team Leader processing for that week.</p> <p>A pre-payment report is produced from Civica showing the amount to be paid, and this is reconciled to a suggested BACS payment amount as per the Civica system. Any differences are explained, and should any benefit payment to an</p>	High	<p>BACS files will be reviewed before being imported into Civica with random spot checks being undertaken to ensure bank details have not been amended. Independent checks will be undertaken to ensure accurate housing benefits are made to claimants.</p> <p>A suggested payment report will be produced and signed by one</p>	30 November 2017	Welfare and Support 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
				<p>individual exceed £1,500, if these have not already been authorised, will be highlighted through the exception reports and authorised appropriately.</p> <p>The Team Leaders then produce a text BACS file from Civica, detailing all claimant bank details for payment to be made to. This is then imported into BACS for processing. Through walkthrough of the process it was confirmed that the bank details at this stage could be amended without any review before being imported into BACS for processing, significantly increasing the risk of fraud.</p> <p>A BACS suggested payment report is then produced and reconciled against the BACS submission summary. Through testing of the last 10 weeks payment runs, it was confirmed that for each week there was no segregation of duty throughout the process, increasing the risk of fraud and/or errors going undetected.</p>		<p>member of staff. The final BACS submission will be performed by an independent staff member to ensure segregation of duties.</p>		

ENFORCEMENT - EXECUTIVE SUMMARY

1.1 Background

An audit of Enforcement was undertaken as part of the approved internal audit periodic plan for 2017/18.

The enforcement process is the responsibility of the Public Relations Department managed by the Service Manager Public Relations and day to day activities being coordinated by the Community Protection and Pollution Control Manager and Food, Health and Housing Manager. Complaints are received into the department from members of the public or other departments and these are responded to and investigated by the Environmental Health Officers and Technical Officers. Fixed penalty notices are issued upon observation of littering or dog fouling by the Neighbourhood Wardens and authorised by the Senior Neighbourhood Warden.

Any income received by the Council for enforcement notices are dealt with by the Customer Services Department with a receipt sent to the Public Protection Team. Where income is not received on time it is escalated to the Legal Department for processing. The Council has a statutory duty to ensure compliance with legislative requirements and take enforcement action where breaches occur with these obligations.

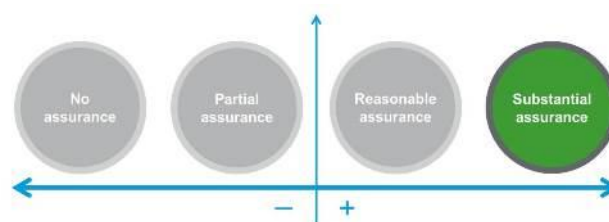
Since April 2017 there have been a total of 39 enforcement notices issued relating to Environmental Protection Acts, Pollution Acts, Town and Country Planning Act and the Housing Act. In addition, there has been one dog fouling fixed penalty notice and 34 litter fixed penalty notices issued (27 paid, seven unpaid/open).

1.2 Conclusion

Our review identified that internal controls for the enforcement process are in place and working effectively for the issuing and recording of enforcement notices. However, we have identified two 'low' management actions in relation to an out of date Housing Policy and two enforcement notice cases that had not been followed up in a timely manner of the compliance date passing.

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 risk(s) are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Testing a sample of 20 enforcement notices issued confirmed in all instances the legislation was quoted and a reason for issuing the notice were documented and sent to the offender. In all cases the enforcement notice was maintained on file and on the Uniform system.
- For the same sample of 20 notices, it was also confirmed that the notices contained reference to the Council and Council branding was adopted throughout.

- For the five cases requiring payment from the offender to the Council, it was found on three occasions these were paid on time. For the remaining two instances, one was progressed to Legal due to non-compliance and the other fixed penalty notice was cancelled due to personal circumstances meaning the notice was not in the public interest to recover.
- For three examples of non-compliance with the notice issued, in all instances appropriate action was taken to either escalate the notice to the next stage or resolve the problem in hand.
- Details of fixed penalty notices were up to date and entered onto the Covalent performance monitoring system and it was noted that for the first two quarters in the 2017/18 year the target of 60 fixed penalty notices was not achieved and only 28 had been recorded.

However, the following weaknesses had been identified:

- The Gedling Private Sector Housing Enforcement Policy had not been reviewed or updated since 2010 and therefore in line with good practice is out of date. Policies should be reviewed as a minimum every three years, or sooner if changes occur. In the debrief, it was identified that legislation has changed since 2010 and it required updating.
- For two of the 20 cases, it was noted that upon the deadline for compliance with an enforcement notice passing, the case was not followed up in a timely manner and therefore compliance with the notice was unknown.

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 Management Actions		
					Low	Medium	High
Does the Council take appropriate and consistent action against those breaching legislation or policy?	0	(9)	2	(9)	2	0	0
Total					2	0	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.

PAYROLL - EXECUTIVE SUMMARY

1.1 Background

We carried out an audit of Payroll processing as part of the agreed internal audit periodic plan for 2017/18.

The Council's payroll is managed using the 'Resource Link' system provided by Northgate, which has been in place for some years. 'Resource Link' is an integrated system, including both a Human Resources and a Payroll module. Standard forms have been developed for use by staff members, including new starter and leaver forms. The majority of the Council's employees have access to 'My View', providing electronic access to payslips and allowing amendments to personal details to be processed as and when required. Segregation of duties is maintained, with forms authorised by an appropriate officer prior to arrival in the Payroll function and data input onto the Payroll system reviewed by an independent officer. In addition, full details of all new starters and leavers is provided by the Personnel Manager and payroll processing staff take no part in the personnel function. Over 600 employees are processed every month.

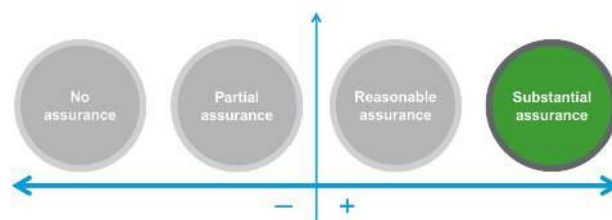
The Payroll function is overseen by the Senior Assistant Accountant (Exchequer Management) with the day-to-day processing carried out by the Assistant Accountant (Payroll Management) and the Payroll Assistant. In addition to processing the Council's payroll, the processing of payrolls on behalf of Rushcliffe Borough Council is carried out and a formal Service Level Agreement is in place between the two authorities. Separate payrolls are produced for the 320 employees at Rushcliffe Borough Council.

1.2 Conclusion

Our audit testing confirmed that an established procedure is in place which results in accurate and timely payroll processing. Our testing of payroll outputs, including exception reports and BACS authorisations confirmed that there is an appropriate review process that ensures segregation of duties and independent authorisation of the completed payroll. We have not found it necessary to raise any management actions as a result of this audit.

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:

- Access to the Northgate Payroll & HR system is restricted by password to authorised personnel only;
- Documented procedures notes are in place providing guidance on the Council's payroll processes;
- A payroll processing timetable is in place which sets out when each payroll should be paid and the key processing dates which must be achieved to meet the target date;
- A payroll checklist has been established documenting key tasks to be completed during each payroll run. Payslips are no longer printed and staff use the self-serve facility to view their payslips online;

- The Council has introduced the 'My-View' self service system. This enables all staff to take responsibility for maintaining all personal data accurately in the Payroll system. The use of this system makes each member of staff responsible for maintaining accurate address, bank account and other personal details up to date;
- A leavers checklist is added to each employee file processed on the Payroll system documenting the process followed. All leavers are updated on the Payroll system and reviewed by independent officers;
- A new starter checklist is added to each employee file processed on the Payroll system documenting the process followed. All new starters are input onto the Payroll system and reviewed by independent officers;
- Any monies owed to the Council are identified upon notification of leaving. Any outstanding amounts are deducted from the employee's final salary payment or an arrangement to pay is agreed upon. Similarly, under or over taken holiday entitlement is also adjusted in the final salary payment. Full details are advised by Personnel;
- Standardised notification forms are used to inform payroll of additional payments for overtime, on-call and acting-up duties. All forms are authorised by appropriate Managers;
- Voluntary deductions are processed through the Payroll system following receipt of a signed form from the employee authorising the deduction. All signed forms are retained on file;
- Involuntary deductions are processed by the Payroll Team upon receipt of appropriate notifications from an official agency detailing the nature and amount to be deducted. Formal notifications received are retained on file;
- An exception report is produced each month which identifies any variances in the current payroll, compared to the previous month. All variances are investigated and explained. If necessary, a correction is made prior to the BACS payments being processed; and
- The Payroll system is reconciled to the General Ledger following each month end and reviewed by an independent officer.

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 management actions		
					Low	Medium	High
Procedural Documentation	0	(7)	0	(7)	0	0	0
Starters	0	(3)	0	(3)	0	0	0
Leavers	0	(3)	0	(3)	0	0	0
Amendments	0	(2)	0	(2)	0	0	0
Deductions	0	(3)	0	(3)	0	0	0
Checking and Payment Authorisation	0	(10)	0	(10)	0	0	0
Total					0	0	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	Controls complied with	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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There are no management actions arising from this audit.