

AUDIT COMMITTEE – 11TH JUNE 2019

Report of the Head of Strategic Support

Part A

ITEM INTERNAL AUDIT PROGRESS REPORT

Purpose of Report

The report summarises the progress against audits for the 2018/19 Audit Plan and outlines the key findings from final audit reports and details of follow-up work completed since the previous progress report considered by the Audit Committee at the meeting held 26th February 2019.

Recommendation

The Committee notes the report.

Reason

To ensure the Committee is kept informed of progress against the approved Internal Audit Plan.

Policy Justification and Previous Decisions

The Accounts and Audit Regulations 2015 state (Regulation 5 (1)) that the relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Audit Standards and any appropriate guidance.

Implementation Timetable including Future Decisions

Reports will continue to be submitted to the Committee on a quarterly basis.

Report Implications

The following implications have been identified for this report:

Financial Implications

None

Risk Management

There are no specific risks associated with this report

Background Papers:

Final Internal Audit Reports

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Part B

1. Progress against the 2018/19 Audit Plan

Progress against the 2018/19 plan is summarised in Appendix A, which shows that there continues to be some slippage due to staff resourcing issues. At the last Audit Committee, it was reported that a total of 48 days additional resource were being procured, which has enabled two financial system audits and two service audits to be undertaken:

Accountancy and Budgetary Control – 10 days
Capital Accounting – 8 days
Enforcement – 20 days
Holiday Entitlement/Flexi/TOIL – 10 days

There is an allowance included within the 2019/20 audit plan to complete the outstanding audits from the 2018/19 plan.

IT Audits – IT audits are undertaken by an external contractor and as scheduled the 2019/20 audit on Cyber Security is in progress. In addition, the two remaining IT Audits 2019/20 (Disaster Recovery and IT Helpdesk/Demand Management) have been scheduled for September 2019 and January 2020, respectively.

2. Internal Audit Resourcing

The Head of Strategic Support is currently fulfilling the role of the Council's chief audit executive in the current absence of a full-time Audit and Risk Manager.

There is funding available from the budgets for currently vacant internal audit posts to procure additional support to deliver planned audits so that the 2018/19 and 2019/20 audit plans can be delivered.

Following recent staff turnover, various options have been considered and evaluated for resourcing the internal audit function moving forwards. As a result of these considerations, discussions are currently underway with two neighbouring authorities in Leicestershire who already successfully operate a shared internal audit service with a view to Charnwood joining that arrangement.

If this option proceeds, the three authorities would share a designated chief audit executive, and a pool of suitably qualified and experienced internal audit staff, including the remaining Auditor still employed by Charnwood. It is anticipated that this option would improve resilience, and also offer opportunities to share staff skills and experience more widely. There may also be potential financial savings available over time, although the main aim is to have a more resilient internal audit function.

3. Final Audit Reports Issued

The following final audit reports have been issued since the last update report to the Committee. Further detail in respect of these audits is attached in Appendix B, including a background section, the executive summary, and the agreed action plan listing recommendations made and the management responses.

Audit	Field Work Completed	Draft Report Issued	Final Report Issued	Current Level of Assurance	Previous Audit Level of Assurance	Corporate Significance
Council Tax 2018/19	Feb-19	Feb-19	Feb-19	Substantial	Substantial	High
Homelessness 2018/19	Jan-19	Jan-19	Feb-19	Substantial	Substantial	High
Sports and Active Recreation 2018/19	Feb-19	Mar-19	Apr-19	Substantial	Moderate	Low
Accountancy and Budgetary Control 2018/19	Mar-19	Mar-19	Apr-19	Substantial	Substantial	High
Capital Accounting 2018/19	Mar-19	Mar-19	Mar-19	Substantial	Substantial	High

4. ICT Audits

There have been no final audit reports issued since the last update report to the Committee.

5. Follow Up of Recommendations

The table below summarises the follow-up status of recommendations which were due to be implemented during the quarter January 2019 – March 2019.

The status of recommendations is as follows:

	Priority Level	Implemented	Not Implemented	No Further Action
Jan - Mar 2019	High	2	0	0
	Medium	8	0	0
	Low	12	1#	0
Percentages		96%	4%	0%

The recommendation was implemented in the following month.

6. Special Investigations

One special investigation has been undertaken during the reporting period. The investigation was in respect of income collection for Sports and Active Recreation. Concerns were raised by the Cash Office on the 24th October 2018 when income dating back to September 2017 was presented for banking. A review of the collection, recording and banking of income was due to be undertaken as part of the 2018/19 audit on Sports and Active Recreation, however as the findings of this particular area

of testing could impact on the assurance rating in the other areas of risk reviewed, it was decided to report this separately.

Following the incident revised procedures for handing income have been introduced and recommendations have been made to review income procedures with regard to cash handling.

7. Performance Indicators for Internal Audit

The following summary outlines the results against the local performance indicators for Internal Audit for 2018/19.

Indicator	Target	Result	Notes
Percentage of clients that rated the performance of Internal Audit as satisfactory or higher.	90% (Annual)	-	Annual survey for 2018/19 to be undertaken
Percentage of the agreed 2018/19 Internal Audit plan delivered (as at 30/04/2019).	90%	87.8%	See commentary in Section1 of Part B of this report. Percentage completed is based upon actual time spent on 2018/19 planned audits.
Percentage of agreed recommendations arising from internal audit reviews implemented by the agreed date (as at 31.03.19)	80%	96%	Jan – March 2019 (22/23 recommendations)

Appendices

Appendix A – Summary of progress against the 2018/19 Audit Plan as at the 30th April 2019

Appendix B – Summary of Final Audit Reports Issued

Appendix C – Recommendations not implemented by the Agreed Date as at 31st March 2019

PROGRESS AGAINST THE 2018/19 AUDIT PLAN

2018/19 Audit Plan	Plan Days	Spent Days (30.04.19)	Status as at 30.04.19	Assurance Level	Corporate Significance
Key Financial Systems					
<i>Full Systems Audit</i>					
Accountancy & Budgetary Control	10.00	10.00	Completed	Substantial	High
Payroll	10.00	3.00	In Progress		
Capital Accounting	8.00	8.00	Completed	Substantial	High
Non-Domestic Rates	8.00	9.50	In Progress		
<i>Targeted Testing:</i>					
Creditors	3.00	1.50	In Progress		
Debtors	2.00	5.50	In Progress		
Income Collection	2.00	0.50	In Progress		
Housing Benefits and Council Tax Support	3.00	3.50	Draft Report issued		
Council Tax	3.00	3.00	Completed	Substantial	High
Housing Rents	3.00	0.00	Scheduled		
<i>Quarterly Testing:</i>					
Treasury Management	2.00	2.00	Completed	N/A	
Bank Reconciliation	2.00	2.00	Completed	N/A	
Sub Total – KFS Reviews	56.00	48.50			
Strategic & Service Risk Audits					
NFI/Counter Fraud	10.00	10.00	Completed	N/A	
Homelessness	12.00	13.00	Completed	Substantial	High
Decent Homes Contract	15.00	0.50	Scheduled		
Grants to Community Groups (Landlord Services)	8.00	5.50	Completed	Moderate	Low

2018/19 Audit Plan	Plan Days	Spent Days (30.04.19)	Status as at 30.04.19	Assurance Level	Corporate Significance
Licensing	10.00	2.00	Scheduled		
Car Parking fees	12.00	2.25	Scheduled		
Enforcement (Cross cutting)	20.00	18.50	Draft Report issued		
Revenues & Benefits Contract	12.00	11.00	In Progress		
Performance Management	10.00	7.50	In Progress		
Staff Allowances & Expenses	10.00	10.25	Completed	Moderate	Low
Garden Waste Scheme	10.00	11.00	Completed	Moderate	Medium
Sport & Active Recreation	10.00	10.00	Completed	Substantial	Low
CCTV	8.00	0.50	Scoping undertaken		
Mayoralty	8.00	4.50	Completed	Substantial	Medium
Holiday pay/flexi/toil policies and application.	12.00	10.50	Draft report issued		
ASB (cross cutting use of Sentinel etc)	9.00	10.00	Completed	Moderate	High
Corporate Credit Cards	10.00	10.00	Completed	Moderate	Medium
Sub Total – Strategic & Services Audits	184.00	137.00			
Other Work					
Recommendations - Follow Ups	20.00	20.00	Completed	N/A	
Ad Hoc Investigations/Contingency	30.00	7.50	N/A	N/A	
Allowance to complete 2017/18 Audits	10.00	50.00	N/A	N/A	
Sub Total – Other work	60.00	77.50			
TOTAL – Audit Plan (not including IT externally resourced audit)	300.00	263.00			

SUMMARY OF FINAL AUDIT REPORTS ISSUED

Council Tax 2018/19

1. Background

The Council Tax system is one of the identified key financial systems, which are to be audited on an annual basis. The Revenues and Benefits function which administers Council Tax is undertaken by Capita. Capita's responsibilities include three main functions: i.e. billing; enforcement and control. The monitoring of the Capita contract is overseen by the Head of Customer Experience.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based upon the work undertaken during the review the controls in place are generally satisfactory and no significant areas for improvement were identified. However, testing did identify that on five occasions reconciliations had not been undertaken in a timely manner in accordance with the agreed current practice, due to a lack of resources within the Team.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000
- Service failures would have significant impact on customers

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Reconciliations are undertaken between the Academy system and the general ledger on a regular basis.
- New properties in the Borough are identified and notified to the Valuation Office.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates in accordance with agreed procedures and to minimise the risk of fraud or error not being identified in a timely manner.

- Testing showed that out of the 27 reconciliations reviewed, 2 were not undertaken before the 19th of the following month and 4 were not checked by the 19th of the following month.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Testing showed that out of the 27 reconciliations reviewed, 2 were not undertaken before the 19 th of the following month and 4 were not checked by the 19 th of the following month.	Anomalies are not identified in a timely manner.	1. Reconciliations are undertaken and independently checked in a timely manner, in accordance with normal practice.	Low	As stated in the report it was identified that this issue occurred due the resourcing levels which has now been addressed.	Head of Customer Experience	Implemented with immediate effect.

Homelessness 2018/19

1. Background

Each local housing authority is required to consider housing needs within its area, including the needs of the homeless. Part 7 of the Housing Act 1996 places a statutory duty with local authorities to provide assistance to those who are homeless or threatened with homelessness. In April 2018 new legislation in the form of the Homelessness Reduction Act 2017 came into force. The Act makes provision about measures for reducing homelessness and places statutory duties on local housing authorities to intervene at earlier stages to prevent homelessness in their areas. It also requires housing authorities to provide homelessness services to all of those affected, not just those who have priority need.

Charnwood Borough Council's Homelessness Strategy for 2018-2020 sets out how the Council aims to prevent homelessness and ensure that accommodation and support is available for people who become homeless within the Borough. The Strategy was developed in consultation with key partners following a review of homelessness in the borough and takes into account the recent developments in the Homelessness legislation and policy.

The responsibility for the delivery of the Council's statutory duty for homelessness services sits within Strategic and Private Sector Housing in the Housing, Planning, Regeneration and Regulatory Directorate.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – SUBSTANTIAL ASSURANCE	CORPORATE SIGNIFICANCE – HIGH
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Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Whilst this audit has reviewed the Council's procedures in place to tackle homelessness the testing undertaken concentrated on the key changes in legislation following the introduction of the Homelessness Reduction Act 2017 in April 2018. Through testing and discussion, it was found that there are adequate procedures in place to provide assistance and tackle homelessness for those who are homeless or threatened with homelessness and that the authority is meeting the statutory legislative requirements.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- Service failures would have significant impact on customers
- Risk of serious reputational damage (national press/TV)
- Major health and safety risk (serious injury or death)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- There is a strategy in place which clearly sets out the Council's approach for tackling homelessness and takes into account the recent changes in legislation.
- Tailored advice and information about homelessness and the prevention of homelessness is readily available in accordance with the new legislative requirements.
- There are satisfactory monitoring procedures in place to monitor homelessness.
- Assessments and Personal Housing Plans are completed in accordance with new legislative requirements.

3. Action Plan

There are no recommendations for management consideration.

Sports and Active Recreation 2018/19

1. Background

The Sports and Active Recreation Service delivers sport and physical activities around the borough, offering opportunities for all groups/cultures of the local community to participate in sport, leisure and health initiatives. The service works in partnership with a number of organisations to provide sports opportunities to residents, these include Fusion Lifestyle; Leicestershire and Rutland Sport; Active Charnwood Alliance (ACA), North and South Charnwood School Sport Partnership and Loughborough Sport.

The responsibility for delivering this service falls under the Neighbourhoods and Community Wellbeing Directorate.

The collection, recording and banking of income has been reviewed separately following the identification of significant delays in the paying over of income received to the Cash Office; the findings and recommendations from this work has been excluded from this report and is subject to a separate report.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – SUBSTANTIAL ASSURANCE	CORPORATE SIGNIFICANCE – LOW
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Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

In respect of the service identifying and managing key operational risks, the six mitigating actions recorded in the risk register were reviewed and it was found that these were being managed; however, two areas for improvement were identified in respect of risk assessments and on the checks completed on venue owners.

Current practice in respect of the completion of risk assessments is very thorough as an annual holiday programme risk assessment is undertaken and individual risk assessments are completed for each activity. Whilst undertaking testing it was found that the holiday activities programme risk assessment covers the same risks as the risk assessments for the individual activities on the programme which has led to duplication in some areas.

The process in respect of the checks completed on venue owners was devised in conjunction with the Council's Corporate Health and Safety Officer some years ago when the service was advised to obtain employers liability insurance however discussions with the Council's Insurance Officer during the course of the audit found that we should be obtaining copies of the public liability insurance certificates. Testing also found that health and safety policies are not always obtained from venue owners.

Corporate Significance

The area being audited has been rated as being of medium corporate significance, on the basis of:

The area reviewed has been rated as being of low corporate significance, on the basis of:

- General risk of financial loss less than £10,000
- Service failures would have limited impact on customers
- Risk of minimal reputational damage (e.g. customer complaints)

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Risk assessments are completed for all activities undertaken.
- There is sufficient resilience to ensure activities are appropriately staffed with a member of staff from Charnwood present.
- Appropriate DBS checks have been completed for both staff and external providers.
- Numerous first aid boxes are made available for officers to take to activities and officers have had appropriate training.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- There is duplication in work regarding risk assessments. The holiday activities programme risk assessment covers the same risks as the risk assessments for the individual activities on the programme.
- Testing found that in 9/10 cases copies of the providers Health and Safety Policies were not obtained and in 6/10 evidence of public liability insurance was not obtained.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. There is duplication in work regarding risk assessments. The holiday activities programme risk assessment covers the same risks as the risk assessments for the individual activities on the programme.	Inefficient use of resources.	1.1 The holiday programme risk assessment should be reviewed before each holiday programme ensuring venues are listed and risks associated with those venues/activities considered. This will in turn eliminate the need to complete risk assessments for each activity on the programme.	Low	1.1 Review overarching holiday programme risk assessment before each programme, ensuring venues are listed and risks associated with venues/activities are identified.	Sports and Active Recreation Manager/Senior Sports Development Officer	July 2019
		1.2 Risk assessments and programmes are sent to the Council's Insurance Officer and Corporate Health and Safety Officer for review to help ensure risk assessments are adequate and capture and assess all appropriate risks.	Low	1.2 Overarching holiday activity programme risk assessment and copy of holiday activity programme to be sent to Council's Insurance Officer and Corporate Health & Safety Officer before each holiday	Sports and Active Recreation Manager/Senior Sports Development Officer	July 2019

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
				programme commences.		
2. Testing found that in 9/10 cases copies of the providers Health and Safety Policy was not obtained and in 6/10 public liability insurance was not confirmed.	In the event of an incident liability may fall to the Council if the venues aren't appropriately covered.	2.1 Copies of public liability insurance and health and safety policies should be obtained from the person/organisation responsible for the venue.	Medium	2.1 To obtain up to date copies of Public Liability Insurance and Health & Safety Policies from each person/organisation responsible for the activity venue.	Sports and Active Recreation Manager/Senior Sports Development Officer	July 2019
		2.2 The document checks should be completed before each holiday programme to ensure that the provider's information on file is up to date and adequate.	Medium	2.2 To check prior to each holiday activity programme that all insurance and H & S documentation held on file for the venue are current. To obtain up to date documents where expiry dates have elapsed.	Sports and Active Recreation Manager/Senior Sports Development Officer	July 2019

Accountancy and Budgetary Control 2018/19

1. Background

The Council's main accounting system is Agresso, an integrated financial system that incorporates the Purchase and Sales ledgers. The main accounting system is the mechanism by which the Council manages its financial affairs. It encompasses the monitoring and control of the Council's financial statements and budgetary control processes. Finance supports budget holders by providing budgetary monitoring information and presents management accounts to the Senior Management Team, Cabinet Lead Members and the Performance Scrutiny Panel, highlighting spending patterns and forecast variations from budget, in order to demonstrate performance to date.

2. Executive Summary

2.1 Overview

ASSURANCE RATING – SUBSTANTIAL ASSURANCE	CORPORATE SIGNIFICANCE – HIGH
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Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

Based upon the audit work undertaken, no significant weakness has been identified, however, it should be noted that the audit work was restricted to a 'Desktop' review of documents/ information. Due to lack of staff availability within the Finance team as a result of work commitments taking priority.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000.

- Service failures would have significant impact on customers.
- Risk of serious reputational damage.

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Both year end and month end closedown timetables are in place.
- Opening balances brought forward on Agresso for the new financial year are reviewed by the Senior Accountancy Assistant;
- Journals are processed with adequate supporting evidence and reasoning;
- There is adequate segregation of duties between the maintenance of the general ledger and budgetary control procedures;
- The Council's approved revenue and capital budget captures appropriate information on income and expenditure;
- Responsibilities for budget areas are delegated to named officers, who are aware of budget monitoring procedures and requirements, as stated in their respective job descriptions;
- Virements are supported by appropriate documentation and authorised in accordance with the Council's scheme of budgetary virement (Financial Procedure Rules – Appendix 3);
- Budgetary control information is provided to budget holders, on a monthly basis. Whereas, Senior Management Team (SMT), Performance Scrutiny Panel and Cabinet Lead Members are presented with financial reports four times during the year; and
- Budget holders provide explanations to over/underspends as part of the monthly monitoring review conducted by Finance.

However, from the work undertaken during the review, we have also identified an area where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- Seven budget holders were selected from Agresso, to establish whether their job descriptions made reference to budgetary responsibility and accountability. It was noted that for six budget holders their respective job descriptions correctly contained such a reference. However, in the sample selected, it was identified in one instance that the officer was a Group Accountant and therefore his job description correctly did not include budgetary responsibility, although as a matter of good practice, it was noted that his job description had not been updated since August 2009.

On further investigation, it was noted that that the Group Accountant had been assigned responsibility for nine Housing Revenue Account cost centres, of which six required year end transaction processing and three were for Housing Dwelling Rents, which would be under the remit of the Landlord Services Team.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>1. A sample of seven budget holders, were selected from Agresso. To confirm whether budgetary responsibilities was reflected in their job descriptions.</p> <p>It was identified that in one instance the budget holder was a Group Accountant and therefore did not include budget responsibility, however as a matter of good practice, his job description had</p>	<p>Failure to review and update job descriptions may lead to roles and responsibilities not reflecting current working practices thereby not accurately representing the job an employee is performing.</p>	<p>1.1 The Group Accountant's job description should be reviewed and updated, capturing current role and responsibilities.</p>	<p>Low</p>	<p>Not required as agreed, to transfer responsibility to Landlord Services. Email sent to Head of Landlord Services (16.04.19).</p>	<p>Interim Head of Finance & Property Services</p>	<p>April 2019 Implemented</p>
		<p>1.2 Additionally, Finance should review and establish</p>	<p>Low</p>			

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>not been updated since August 2009.</p> <p>On further investigation it was noted that the Group Accountant was not a 'budget holder' however, was assigned nine Housing Revenue Accounts cost centres of which three related to the Housing Dwelling Rents. The remaining six cost centres were used in the main for year-end processing.</p>	<p>Unclear lines of responsibility for budget cost centres.</p>	<p>whether the Housing Dwelling Rent cost centres should be assigned to the Landlord Services Team rather than the Group Accountant to ensure appropriate responsibility is reflected on Agresso.</p>				

Capital Accounting 2018/19

1. Background

The capital accounting system is one of the identified key financial systems, which are required to be audited on an annual basis. The system is managed within Finance and Property Services by the Accountancy and Asset Management teams.

2. Executive Summary

2.1 Overview

**ASSURANCE RATING –
SUBSTANTIAL ASSURANCE**

**CORPORATE
SIGNIFICANCE – HIGH**

Assurance

Internal Audit can give substantial assurance to those charged with governance. The internal control environment within the areas reviewed is adequate and effective, and appropriate actions are being taken to manage risks.

The work undertaken demonstrates that the systems and controls in place for appraising, reporting and monitoring of capital budgets are robust.

It was however noted, that the Capital Programme Team's Terms of Reference are not subject to annual review and approval. Additionally, Star Chamber meetings held during the budget setting period, to discuss and review budgets including appraising capital schemes, are not minuted and therefore two low level recommendations to address these findings have been raised in this report.

Corporate Significance

The area reviewed has been rated as being of high corporate significance, on the basis of:

- General risk of financial loss greater than £100,000.

- Service failures would have significant impact on customers.
- Risk of serious reputational damage

2.2 Key Findings

We are pleased to report that the procedures in place incorporate the following examples of good practice:

- Capital appraisals are reviewed and evaluated by the Star Chamber meetings which are attended by both the Senior Management and Corporate Management Teams.
- The Capital Programme is monitored and reported four times during year to the Capital Programme Team (CPT), Senior Management Team and Cabinet.
- The CPT reviews all capital schemes over £50,000 and those schemes below £50,000 which have triggered an under/overspend variance of 10% or £2500.
- The Council's Financial Procedure Rules provides adequate guidance on the management process underpinning the Capital Programme and Monitoring.
- The Asset Register is reconciled at year end by Finance which incorporates a review and analysis of acquisitions and disposals processed during the year and a depreciation calculation.

However, from the work undertaken during the review, we have also identified the following areas where there is scope for improvement to ensure that the system operates more effectively and efficiently:

- The Council's Capital Programme is a rolling three plan and is revisited every second year for inclusion of new capital schemes. This exercise was last undertaken in 2018/19. Budget holders complete a 'Capital Scheme Appraisal Form' which forms the basis of a business case. All capital appraisals are reviewed at the Star Chamber meetings, held during the budget setting period between October to December. The Star Chamber attendees consist of the Senior Management and Corporate Management Teams. These meetings are not minuted to enable to gauge an understanding of the review process and to provide a formal documentation of the approved and rejected schemes.

We were advised by the Group Accountant (Capital) that she is verbally informed of the approved capital schemes to be included on the Capital Programme by the Head of Finance & Property Services.

- The Capital Programme Team (CPT) is chaired by the Head of Finance & Property Services and requires the Head of Housing to be in attendance in order to form 'quoracy'. The CPT, is in the main, responsible for monitoring capital

schemes over £50,000, however, schemes below £50,000 which have triggered a variance for under/overspend, as stipulated in the Financial Procedure Rules, Appendix 4, are also reviewed.

The CPT's 'Terms of Reference' (TOR) were last reviewed in May 2016. We were advised that the TOR is reviewed whenever there is a key change otherwise is carried forward each year.

3. Action Plan

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
1. Review of the Capital Programme Team's terms of reference revealed that these were last reviewed in May 2016. We were advised that the terms of reference are reviewed whenever there are any notable changes to be actioned.	Failure to review the Capital Programme Team's terms of reference annually demonstrates poor governance arrangements which the Council may be criticised upon, impacting on their reputation.	1.1 The Capital Programme Team's terms of reference should be reviewed and approved annually. To ensure relevance and to accord with best practice.	Low	Agreed, will be reviewed prior to the August 2019 meeting.	Interim Head of Finance and Property Services	July 2019
2. The Star Chamber appraise 'capital schemes' proposed by Service areas. It was noted that	The audit trail underpinning the decision making and subsequent inclusion of capital schemes on the	2.1 It should be ensured that formal minutes are documented at the Star Chamber meetings, to ensure	Low	Disagreed, there is a compensatory control in the form of capital budget monitoring and it is not practical to take minutes, given	N/A	No Further Action

Observation	Risk	Recommendation	Priority	Response/Agreed Action	Officer Responsible	Action Date
<p>these meetings are not minuted.</p> <p>In the absence of these meeting minutes, the Head of Finance & Property Services verbally informs the Group Accountant (Capital) of the approved capital schemes for inclusion on the Capital Programme.</p>	<p>Capital programme is incomplete and decision making is not transparent</p>	<p>that there is documentary evidence to support approval of capital schemes and their inclusion on the Council's Capital Programme, together with the discussion and approval of variances.</p>		<p>the Chamber's member make-up.</p>		

Follow Ups: Recommendations Not Implemented by the Agreed Date as at 30th March 2019

Audit	Observation	Recommendation	Priority	Agreed Action	Agreed Date	Responsible Officer	Comments
Key ICT Controls 2016/17	Controls need to be tightened in respect of the guest Wi-Fi e.g. at present the connectivity is not time limiting and the generic password has not been changed for over a year.	ICS should ensure that controls are strengthened around access to the guest Wi-Fi.	Low	Agreed as per recommendation	April 2018	ICT Service Delivery Manager	<p>This was followed up in January 2019 at which time a technical solution for the GUEST network had been identified however the implementation of this required a substantial change to the existing network and set-up.</p> <p>This was followed up again in April 2019 and has now been fully implemented.</p>