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## INTERNAL AUDIT QUARTERLY UPDATE

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### 1.0 Summary of progress

- 1.1 Due to publication requirements this report is compiled in late December and the Audit Manager will update members verbally on progress as at the date of the meeting.
- 1.2 18 of the 26 items on the original plan are currently in progress. This is approximately 69% and compares with 69% for the same period in 2013/14.

### 2.0 Assurance rating system

- 2.1 This quarterly report records the level of assurance provided by internal audit work. The following categories are used to record the level of assurance.

**Full assurance:**

there is a sound system of internal control designed to secure objectives and controls are being consistently applied.

**Substantial assurance:**

there is a generally sound system of internal control in place designed to secure objectives and controls are generally being applied consistently. Some weaknesses in the design or operation of the controls put the achievement of particular objectives at risk.

**Limited assurance:**

weaknesses in design or inconsistent application of controls put the achievement of objectives at risk.

**No assurance:**

weak controls or significant non-compliance with controls could result (or have resulted) in failure to achieve objectives.

- 2.2 No system of internal control can eliminate every possible risk and increasing the level of control in a system frequently increases costs. Balancing risk appropriately against the costs of control is management's responsibility.
- 2.3 Internal audit's role is to evaluate and improve the effectiveness of risk management and control processes.
- 2.4 It is important to recognise that the scope of the work and the area examined define the limits of the assurance and for this reason some context will be provided for each piece of work in the form of a summary reports as set out below

### 3.0 Matters arising from internal audit work

#### 3.1 Previously reported:

AUDIT	Assurance
<b>LCC / BTLS CONTRACT PERFORMANCE MONITORING</b>	<b>Substantial</b> assurance that the service objectives for performance monitoring of LCC/BTLS activity will be met by the systems in place.

#### 3.2 Summary assurance reports:

##### 3.3.0 INDIVIDUAL ELECTORAL REGISTRATION

The implementation of the move to individual electoral registration and online registration.

##### 3.3.1 OBJECTIVES

- To evaluate the implementation plan commissioned to support the move to individual electoral registration (IER) and progress against it.
- To evaluate the system commissioned to integrate the move to online voter registration.

##### 3.3.2 OBSERVATIONS

- The section was found to have followed the Electoral Commission guidance for the implementation of IER and to have robust procedures in place resulting in the publication of the new Register by the required deadline.

##### 3.3.3 ASSURANCE

- This Internal audit work provides **substantial** assurance that the implementation of individual electoral registration and online registration is progressing towards a satisfactory conclusion.

### 3.4.0 NATIONAL NON DOMESTIC RATES

Procedures and systems associated with the administration of National Non Domestic Rates (NNDR)

#### 3.4.1 OBJECTIVES

- Examine the implementation of changes to NNDR rules including the 12 month instalment option, new build unoccupied exemptions, small turnover retail premises discounts and occupy empty retail property discounts.
- Undertake testing on a sample of accounts to ensure:
  - liability is calculated correctly
  - refunds have been authorised appropriately
  - appropriate recovery action has been undertaken where relevant
  - reliefs, discounts and exemptions have been correctly applied
  - the incidence of 'MIS' entries has reduced since the last audit.
- Review the position in relation to reconciliations between the NNDR system and the general ledger (GL).

#### 3.4.2 OBSERVATIONS

- Legislative changes have been incorporated successfully into NNDR systems.
- Testing of accounts demonstrated a high level of compliance with the scheme for the administration of individual accounts including calculation of liabilities, application of refunds, reliefs, exemptions and discounts.
- Reconciliations between the NNDR system and GL are not being completed

#### 3.4.3 ASSURANCE

- This Internal audit work provides **Substantial** assurance that the service objectives for administration of National Non Domestic Rates (NNDR) are being met but the significant issue of the failure to carry out regular reconciliations between the NNDR system and General Ledger has not been resolved. (See elsewhere in in this update)

### 3.5.0 CCTV

Systems and procedures relating to the operation of WLBC's CCTV system.

#### 3.5.1 OBJECTIVES

- To document the scope of the scheme in terms of:
  - The number and location of cameras.
  - The budget for maintenance and monitoring.
- To evaluate arrangements in place to ensure that operation of the monitoring system and access to CCTV footage comply with statutory requirements and best practice.
- To examine the evidence base supporting the latest phase of expansion of the scheme and establish plans for the future sustainability of the scheme.

#### 3.5.2 OBSERVATIONS

- The Council operates 95 cameras located across the borough. Funding has been approved for the expansion of the scheme, which includes the provision of a further 7 cameras. Adequate records were retained in respect of the consultation process for the planned expansion of the CCTV Scheme and rationale for the proposed locations. Day-to-day CCTV monitoring is carried out on behalf of the Council by Enigma Security Solutions and the contract runs until 2018.
- The operation of CCTV schemes is governed by legislation, primarily the Data Protection Act 1998 and takes account of the Surveillance Camera Code of Practice, a guidance document providing advice on best practice.
- Detailed procedures are documented in respect of day-to-day operation of the CCTV Suite. Adequate records are maintained and documented protocols are in place for police access to CCTV images.
- The Council's own CCTV Code of Practice was withdrawn pending review as the audit identified that it required updating to reflect current circumstances at WLBC and best practice advocated by the Office of the Surveillance Commissioners.
- It is generally accepted that cameras and transmission equipment that are exposed to the elements, especially those containing mechanical parts, have a lifespan of about 7 years.
- The Authority entered into a contract for the maintenance of the existing CCTV system with ATEC Security in October 2014. The contract runs for 3 years, with an option to extend the arrangement for

a further 2 years. The 7 new cameras will be covered by a 12 month defects liability warranty, after which time they will be incorporated into the existing maintenance contract at a slightly increased cost.

- The medium-term sustainability of the scheme in terms of maintenance and operational capability is therefore considered relatively secure.
- No commitment has been made to funding CCTV activity beyond the expected lifespan of the current equipment, an issue that will need to be considered before the end of the current maintenance contract.

### 3.5.3 ASSURANCE

- This Internal audit work provides **substantial** assurance that Systems and procedures in place control risks to the operation of WLBC's CCTV system effectively.

## 4.0 Action Points Outstanding From Previous Updates

### 4.1 Revenues and Benefits reconciliations

It has previously been reported that reconciliations of NNDR and Council Tax to the General Ledger were no longer taking place following the implementation of the Northgate revenues system. Internal audit identified reconciliations as a key control and recommended that robust reconciliation procedures should be reintroduced. These were to be reviewed as part of 2014/15 audit work but although reconciliations have been produced and were effective for the 2013/14 closure of accounts, further difficulties have emerged and the required reconciliations have not been produced on a regular ongoing basis.

Discussions have subsequently taken place between BTLS' Director of Revenues and Benefits and the Borough Treasurer to find a solution to this issue. It has been agreed that officers from BTLS and WLBC will carry out a joint investigation of the technical issues giving rise to difficulties in reconciling the two systems and will then put in place a timed action plan to address them with a view to BTLS reintroducing robust reconciliation procedures by the end of March 2015.

### 4.2 Benefits processing

Both internal audit work and external audit's grant certification work in 2012/13 identified an increased volume of errors in benefit processing. In March 2014 BTLS's Director of Revenues and Benefits attended this Committee to report on proposals to improve performance in this area.

Internal audit work and external audit grant certification work for 2013/14 both disclosed improvements in the accuracy of benefit processing. External audit's grant certification work is reported elsewhere on this agenda and internal audit's 2014/15 benefit work will be reported to this Committee in due course.

## 5.0 Internal Audit Third Quarter Activity Update

Title	Position
Benefits	Work in progress
Contract Audit	Work in progress
Performance Monitoring System (BTLS)	Work complete
Community Safety (CCTV)	Work complete
National Fraud Initiative	Work in progress
Home Care Link	Work in progress
Council Tax	Work in progress
Debtors	Work in progress
NNDR	Work complete
Creditors	Work in progress
Transport	Work in progress
Main accounting	Work in progress
Electoral registration	Work complete
Business continuity	Work in progress
Payroll	Work in progress
Bacs	Work in progress
ICON cash receipting	Work in progress
Anti-Fraud Arrangements	Work in progress

Summary	
Work complete	4
Work in progress	14
Work not yet commenced	8
<b>Total</b>	<b>26</b>

## 6.0 Conclusion

Progress against the 2014/15 plan to date has been satisfactory and it is anticipated that internal audit coverage will be maintained at levels which will enable an adequate assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.