



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report February 2017

1. Introduction

- 1.1 The assurances received through the Internal Audit programme are a key element of the assurance framework required to inform the Annual Governance Statement. The purpose of this report is to highlight the progress against the 2016/17 Internal Audit Plan up to 28 February 2017.

2. Purpose of Internal Audit

- 2.1 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit play a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to Internal Audit activity should lead to strengthening of the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 Internal Audit provide a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

3. Authority of Internal Audit

- 3.1 Internal Audit derives its authority from the Accounts and Audit Regulations 2015, the Internal Audit Charter and the Council's Constitution. The Financial Regulations, which are part of the Constitution, set out that 'Internal Audit has authority to:
- a) enter any Council owned or occupied premises or land at all times (subject to any legal restrictions outside the Council's control);
 - b) have access at all times to the Council's records, documents and correspondence;
 - c) require and receive such explanations from any employee or member of the Council as he or she deems necessary concerning any matter under examination; and
 - d) require any employee or member of the Council to produce cash, stores or any other Council owned property under their control.
 - e) The Senior Auditor shall have access to, and the freedom to report in his/her name to all boards, members or officers, as he/she deems necessary.

4 Responsibility of Internal Audit

- 4.1 Internal Audit will have the responsibility to review, appraise and report as necessary on:
- a) the adequacy and effectiveness and application of internal controls and processes and systems;
 - b) the extent of compliance with Financial Regulations and Standing Orders and approved policies and procedures of the Council plus the extent of compliance with external laws and regulation; and
 - c) the extent to which the Council's assets and interest are accounted for and safeguarded from losses of all kinds arising from waste, inefficient administration, poor value for money, fraud or other cause.

5 Independence of Internal Audit

- 5.1 Internal Auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal Auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made.

- 5.2 If independence or objectivity is impaired in fact or appearance, the details of the impairment should be disclosed to senior management and the Audit and Governance Committee.

6 Internal Audit Plan Update

- 6.1 A progress report against the 2016/17 Internal Audit Plan is documented in Appendix A. The plan needs to be flexible in order to respond to current risks and resource requirements. There have been a small number of changes to the plan approved in March 2016 and details are documented in the 'comments' column in Appendix A.
- 6.2 Four final reports have been issued since the last update report, two are at the draft reporting stage and three audits are in progress. The executive summaries for the final reports issued are included in Appendix B. Our work has not identified any significant control weaknesses to draw attention to at this point in time.
- 6.3 Three audits have been moved to the 2017/18 plan. This is due to the impact that an ongoing investigation is having on Internal Audit resources and the need to carry out audits that were not originally on the plan. The Senior Auditor has considered risks, with input from the appropriate Heads of Service, and has prioritised work accordingly.
- 6.4 The field work has been completed for the ICT Key Controls audit and the results will be reported to the Audit and Governance Committee once the final report is issued.

7 Internal Audit Recommendations

- 7.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. There are no overdue recommendations at this time.
- 7.2 All outstanding high and medium priority recommendations i.e. those not yet due, are included in Appendix C for information. Recommendations that have been made and implemented in the reporting period are also included for information.

8 Internal Audit Performance Indicators

- 8.1 Performance information for Internal Audit in relation to its team plan actions and performance indicators is documented in Appendix D.

9 Information Management Update

- 9.1 Internal Audit have continued to monitor progress from afar and is pleased with the progress that has been made to date in improving internal controls. The Information Management Team has now been established (they sit within the Business Improvement Team) and they have developed a project plan to continue to support improvements across the organisation. A Corporate Action Team has been set up specifically to "Provide leadership and strategic governance across the Council on Information Governance, Information Management and Information Security". It will be called iCAT and although it has no delegated decision making powers, it is there to act as an advisory group to decision makers. Internal Audit will sit on this group which meets for the first time in March 2017.

- 9.2 The Information Management team are in the process of establishing Governance Champions for each service team across the Council to assist with keeping their teams compliant and act as a central point of contact to make sure that FOI requests and complaints are being processed efficiently. Training is due to be given in March to nominated officers.

2016/17 AUDIT PLAN PROGRESS TO 28th FEBRUARY 2017

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C**	H	M	L	A	
Cash and Bank	Key Financial System	6	5	In progress							
Creditors	Key Financial System	6	7	In progress							Extended scope has increased days.
Sundry Debtors	Key Financial System	6	-	Scheduled for Q4							
HR and Payroll	Key Financial System	10	-	Scheduled for Q4							Validation testing between old and new system in place of formal audit.
Main Accounting (7)	Key Financial System	5	2.5	Final Report Issued	Grade 1	-	-	-	-	-	
Rent Accounting (9)	Key Financial System	6	7.5	Final Report Issued	Grade 2	-	1	3	-	-	
Treasury Management (4)	Key Financial System	4	5	Final Report Issued	Grade 1	N/A	-	-	-	-	
ICT Key Controls	Key Financial System	-	-	Report Drafting							Audit performed by ICT Audit specialists. The results will be reported once report finalised.
Car parking and enforcement (8)	Risk Based	7	6	Final Report Issued	Grade 1	-	-	-	1	1	
Enterprising NWLDC Grants (1)	Risk Based	4	7	Final Report Issued	Grade 2	N/A	3	3	-	2	Actual days greater than planned due to broader scope.
Solid Fuel Servicing and Maintenance Contract and Gas Servicing and Maintenance Contract	Risk Based	10	-	Move to 2017/18 plan							Moved to 2017/18 plan due to service and audit resources.
Housing Management - Mobile Working (5)	Risk Based	7	11	Final Report Issued	Grade 2	-	2	3	-	-	Actual days greater than planned due to broader scope.
Housing – In House Repairs Service	Risk Based	10	-	Move to 2017/18 plan							Moved to 2017/18 plan due to service and audit

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C**	H	M	L	A	
											resources.
Planning Enforcement	Risk Based	7	-	Move to 2017/18 plan							IA resources required for additional audits.
Section 106	Risk Based	10	1	In progress							
Trade Refuse and Recycling (2)	Risk Based	10	7	Final Report Issued	Grade 1	N/A	-	1	1	-	
Leicestershire Welfare Provision (3)	Risk Based	3	4	Final Report Issued	Grade 1	N/A	-	1	-	-	
Anti Fraud and Corruption Arrangements (11)	Additional Risk Based	6*	9	Report Drafting							This will take the form of a review against the CIPFA Code on Managing the Risk of Fraud and Corruption.
Asset Management System (6)	Additional Risk Based	5*	6	Final Report Issued	Grade 2	-	2	1	-	-	Required to get assurance that system work has been effective in rectifying prior issues.
Disabled Facilities Grant Determination	Additional Risk Based	3*	6	Grant report issued to senior management							Work required to enable Senior Auditor to sign off DCLG determination. Findings reported to senior management.
Disabled Facilities Grants	Additional Risk Based	5*	5	Report Drafting							Audit added by Senior Auditor in light of findings during work undertaken to sign off DCLG Determination.
Asset Performance Calculator – NPV	Advisory	4	1	As required							
CCTV	Advisory	4	-	Scheduled for Q4							

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C**	H	M	L	A	
Coalville Project	Advisory	5	0.5	As required							
New financial systems	Advisory	5	3	As required							

*Planned days not included in original audit plan approved in March 2016 as they are additional audits.

** New category of recommendation 'critical' added from 21st September 2016.

KEY

Audit Opinion

Grade	Definition
1	Internal controls are adequate in all important aspects
2	Internal controls require improvement in some areas
3	Internal controls require significant improvement
4	Internal controls are inadequate in all important aspects

Recommendation Priority

Level	Definition
Critical	Recommendations which are of a very serious nature and could have a critical impact on the Council, for example to address a breach in law or regulation that could result in material fines/consequences.
High	Recommendations which are fundamental to the system and require urgent attention to avoid exposure to significant risks.
Medium	Recommendations which, although not fundamental to the system, provide scope for improvements to be made,
Low	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
Advisory	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B

EXECUTIVE SUMMARY OF IN HOUSE INTERNAL AUDIT FINAL REPORTS ISSUED 16 NOVEMBER 2016 – 28 FEBRUARY 2017

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C*	H	M	L	A
2016/17 Audits									
05 – Housing Management	Housing Portfolio Holder	Head of Housing Management Team Manager	Grade 2	<p>A consistent approach across the team to completing allocations forms and verifiable authorisations.</p> <p>Risk assessments for new sites at which officers work remotely.</p>	-	2	3	-	-
06 – Asset Management System	Housing Portfolio Holder	Head of Housing Planned Investment Team Manager	Grade 2	<p>The process for identifying and updating the asset management system for works that are not part of the Decent Homes Improvement Programme.</p> <p>Investigating and resolving previous erroneous postings to the asset management system.</p>	-	2	1	-	-
08 – Car Parking and Enforcement	Community Services Portfolio Holder	Head of Community Services Environmental Protection Team Manager	Grade 1	<p>Two minor areas have been identified as an opportunity to improve:</p> <ul style="list-style-type: none"> • Updating of Season Ticket Application Forms to show all methods of payment. • The Car Park Trading Account and how information is presented. 	-	-	-	1	1
09 – Rent Accounting	Housing Portfolio Holder	Head of Housing HRA Business Support Team	Grade 2	Updating of procedure notes for Former Tenant Arrears and Bereavement Allowances.	-	1	3	-	-

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C*	H	M	L	A
		Manager & Housing Management Team Manager		Arrangements for posting of arrears write-offs to Open Housing. Delays in completion of reconciliations.					

* New category of recommendation 'critical' added from 21st September 2016.

See Appendix A for Key.

RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
2016/17 Reports							
05	Housing Management	1	The authorisation process should be revised so that the completed electronic document includes evidence to confirm authorisation by a senior officer. The expected process should be documented and communicated to all housing officers to ensure that it is consistently applied.	High	Housing Management Team Manager and Principal Housing Management Team Leader	30.11.16	Recommendation satisfactorily implemented
		2	Consideration should be given to redesigning the allocation forms to reflect the current digital format and exclude any sections which are no longer relevant.	Medium	Housing Management Team Manager and Principal Housing Management Team Leader	30.11.16	Recommendation satisfactorily implemented
		3	The Capita Open Housing system parameters and / or the Former Tenant Arrears Recovery Procedure should be reviewed and revised in order to ensure that the automated letters are issued in accordance with the documented procedure.	Medium	Principal Housing Management Team Leader	30.11.16	Recommendation satisfactorily implemented
		4	Risk assessments should be completed for the existing hubs and for new remote working sites as they are developed.	High	Housing Management Team Manager	30.11.16 and ongoing	Recommendation satisfactorily implemented
		5	Officer awareness and understanding of lone worker and emergency procedures should be checked periodically.	Medium	Housing Management Team Manager	30.11.16 and ongoing	Recommendation satisfactorily implemented
06	Asset Management System	1	The process for ensuring that PIMSS is updated for all relevant non DHIP works should be reviewed to ensure it is robust	High	Planned Investment Team Manager and Asset Management	31.12.16	Audit follow up will take place in March 2017

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			and will capture all data. It should then be implemented and brought up to date to address the gap.		Office Manager		
		2	The error affecting properties 005230190 and 002100330 should be investigated and the cause established so that any other properties that may have been affected can be identified and corrected.	High	Planned Investment Team Manger	31.12.16	Audit follow up will take place in March 2017
		3	The final account reconciliation process will be reviewed and amended to ensure any incorrect adjustments made by a contractor are always identified.	Medium	Planned Investment Team Manager and Senior Quantity Surveyor.	31.03.17	Audit follow up May 2017
09	Rent Accounting	1	The Former Tenant Arrears Recovery procedure should be updated to reflect the role that the Rent Accounting Team now has in managing former tenant and lifeline arrears. This should include the updating of the procedure for processing of former tenant arrears for write-off and the processing of bereavement allowances. Once complete the procedures should be approved by the Housing Management Team Manager and HRA Business Support Manager.	Medium	Housing Management Team Manager and HRA Business Support Manager.	31.03.17	Audit follow up April 2017
		2	The responsibility for posting of Former Tenant Arrears write-offs should be reviewed.	Medium	HRA Business Support Manager.	31.03.17	Audit follow up April 2017
		3	The write-off in question should be reviewed and, if agreed, authorisation should be obtained retrospectively.	Medium	Housing Management Team Manager	31.03.17	Audit follow up April 2017
		4	To ensure reconciliations are completed in a timely manner a deadline should be agreed as to when reconciliations should be completed. Where there are delays in the completion of reconciliations reasons for the delay should be documented, and the Finance Systems Team Leader should also be informed.	High	HRA Business Support Manager.	31.03.17	Audit follow up April 2017

Internal Audit Performance

Performance Measures:

Performance Measure	2016/17 Quarter 4 Target	Position as at 28.02.17	Comments
Delivery of 2016/17 Audit Plan	90%	76%	Three audits in progress with plans to start those remaining in March 2017.
Percentage of time spent on audit work	80%	91%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	94%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 4 Milestone	Position as at 28.02.17
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Set action plan and timescale to deliver improvements where highlighted in reviews	Review carried out in May 2016. No actions necessary.
Undertake audits as per agreed Audit Plan.	Complete 90% of audit plan.	On track.
Provide the Audit and Governance Committee with quarterly reports on the work and performance of internal audit.	Progress report to February Audit and Governance Committee	On track.
Achievement of the PSAIS	Internal review of effectiveness of Internal Audit reported to June 2016 A&GC.	Achieved.
Annual Audit Opinion delivered by 30 th June 2016 deadline.	Not applicable.	Achieved.
Risk based annual audit plan for 2017/18 approved by 31 March 2017.	2017/18 audit plan has been prepared and will be presented to 22 nd March 2017 Audit and Governance Committee.	On track.