



# **INTERNAL AUDIT SHARED SERVICE**

**North West Leicestershire District Council**

**Internal Audit Progress Report**

**SEPTEMBER 2018**

## **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 2018/19 Internal Audit Plan up to 28<sup>th</sup> September 2018 and inform the Audit and Governance Committee of any significant control failings that have been identified through Internal Audit work.

## **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 Team Update**

- 6.1 The Audit Manager will be returning from maternity leave at the end of November 2018.

## **7 Internal Audit Plan Update**

- 7.1 Since the last update report, three final reports have been issued. This includes two reports relating to additional audits added to the plan in Q4 2017/18 and one report relating to the 2018/19 audit plan. In addition, compliance testing is substantially complete for two audits, one audit is in progress and two further audits are scheduled to commence in October 2018.

The executive summaries for the final reports issued are included in Appendix B.

Progress made against the 2018/19 Internal Audit Plan is documented in Appendix A.

- 7.2 The plan needs to be flexible in order to respond to current risks and resources. There have been minor changes to the number of days allocated to individual audits and one review has been deferred from Q2 to Q3.

## **8 Additional Work**

- 8.1 Internal Audit have undertaken work within the quarter to assist services with requirements for participation in the National Fraud Initiative.
- 8.2 The Audit & Governance Committee Working Group met on 3<sup>rd</sup> September 2018 and is due to meet again on 3<sup>rd</sup> October 2018. Work has been undertaken to facilitate the self-assessment of the Committee in accordance with CIPFA guidance and the results/outcomes of this exercise are currently being reviewed and formulated into action plans. A report will be presented to the Audit & Governance Committee in December 2018.

## **9 Internal Audit Recommendations**

- 9.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. All outstanding recommendations are included at Appendix C for information. A revised follow-up process has now been introduced. A report template (which includes Appendix C of this report) is now uploaded onto the Mod-Gov Committee reporting system prior to the paper deadline for the Audit and Governance Committee and relevant officers are requested to provide a status update. Members of the Corporate Leadership Team (CLT) are also able to view officer's responses and

monitor the implementation of recommendations within their service area. In addition, progress reports will be reviewed at CLT meetings. Reports will include a summary of any themes /issues identified as a result of the audits undertaken.

- 9.2 The Planning Policy Team Manager will be in attendance at the Audit & Governance Committee on 10th October to provide an update on progress with regards to the s106 recommendations.

## **10 Internal Audit Performance Indicators**

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

## **11. Internal Audit Charter**

- 11.1 The Audit Manager has undertaken the annual review of the Internal Audit Charter. The only changes necessary were in relation to job titles and the organisation structure chart therefore the Charter is not being presented again to this committee. The Charter is available to view on the intranet.

2018/19 AUDIT PLAN PROGRESS TO 28<sup>th</sup> SEPTEMBER 2018

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
<b>HR &amp; ORGANISATIONAL DEVELOPMENT</b>											
Health & Safety	Risk Based	8	5.9	In progress							
<b>HOUSING</b>											
Homelessness (New Homelessness Reduction Act)	Risk Based	8	-	Scheduled for Q3							
Housing Repairs	Risk Based	15	13.2	Testing substantially complete. Report to be drafted early October.							No of planned days increased due to volume of testing required.
New Council Houses	Risk Based	5		Scheduled for Q3							
Gas/Solid Fuel Servicing and Maintenance	Risk Based	6	9	Testing substantially complete. Report to be drafted early October.							Additional testing identified during the audit
Property Services	Risk Based	8	-	Scheduled for Q4							
Housing ICT review	Advisory	2	-	As required							
<b>COMMUNITY SERVICES</b>											
Grounds Maintenance	Risk Based	7	0.5	To commence October 2018							
Planning Enforcement	Risk Based	8	-	Scheduled for Q3							
Car Parking & Enforcement	Risk Based	6	6.9	Complete	Grade 1						
Environmental Health (Licensing )	Risk Based	8	0.5	To commence October 2018							
<b>PLANNING</b>											
Peer review outcomes (Review of implementation/follow up)	Risk Based	3	-	Scheduled for Q4							
S106 (Detailed follow up )	Risk Based	5	1	Follow up complete. (Full review scheduled for Q3/4)							
<b>ECONOMIC DEVELOPMENT</b>											

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Cultural Services	Risk Based	5	-	Scheduled for Q4							May be impacted by Phase 2 of Management Restructure – to review audit requirements in Q4
<b>FINANCE</b>											
Key Financial Systems	Risk Based	35	-	Scheduled for Q3/4							
Contract /Programme Management	Risk Based	6	0.5	Engagement Planning							
Finance service/systems reviews	Advisory	6	0.6	As required							
<b>ICT</b>											
Firmstep – Phase 1 Implementation	Risk Based	6		Deferred to Q3							

## 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.

## EXECUTIVE SUMMARY OF INTERNAL AUDIT FINAL REPORTS ISSUED 01 AUGUST 2018 – 28 SEPTEMBER 2018

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
<b>2017/18 Audits</b>									
Grants (Community Focus)	Community Services Portfolio Holder	Chris Brown Stronger & Safer Communities Team Manager  Paul Sanders Head of Community Services	Grade 2	<ul style="list-style-type: none"> <li>Procedures for approval / refusal of grants</li> </ul>		1	1		1
Grants (Business Focus)	Business Portfolio Holder	Barrie Walford Economic Development Officer  Mark Fiander Head of Economic Regeneration	Grade 2	<ul style="list-style-type: none"> <li>Approval of Golden Hello Grants</li> <li>Accuracy of information contained in pipeline</li> </ul>		1	1		
<b>2018/19 Audits</b>									
Car Parking & Enforcement	Community Services Portfolio Holder	Paul Sanders Head of Community Services  Clare Proudfoot Environmental Protection Team Manager	Grade 1	N/A	-	-	-	-	-

See Appendix A for Key.



# RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

# APPENDIX C

Report	Recommendation	Rating	Officer Responsible	Target Date	Responsible Officer Update (September 2018)	Internal Audit Comments
<b>2016/17 Reports</b>						
11	Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	7	A review should be undertaken to confirm that the policy framework is satisfactory and policies are up to date.	Medium	<b>Head of Finance</b>  Originally assigned to the Head of Transformation	Original target date 26.05.17  The Head of Finance has met with the Interim Audit Manager to discuss this recommendation. It has been identified that more work is required in this area than originally anticipated. The Head of Finance will provide an update to the Audit & Governance Committee.
14	s106	5	The details from the S106 agreement entered onto the S106 database should be sufficient to enable effective monitoring of actions and triggers associated with the agreements.	High	<b>Planning Policy Team Manager</b>	September 2017  A separate update report will be submitted to the Audit and Governance Committee on 10 <sup>th</sup> October 2018 and presented by the Planning Policy Team Manager.
		9	Where other departments retain records of S106 agreements for their own purposes, regular liaison meetings should be held with the department and Planning Policy to ensure that information held by all parties agrees.	Medium	<b>Planning Policy Team Manager</b>	October 2017  A separate update report will be submitted to the Audit and Governance Committee on 10 <sup>th</sup> October 2018 and presented by the Planning Policy Team Manager.

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Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update ( September 2018)	Internal Audit Comments
		15	Records should be maintained which show the intended recipient of S106 funding, amount due, purpose of funding and date which the funding is to be spent by. There should be a facility whereby the recipient is prompted of funding available on a periodic basis (this information should have been agreed first with the other Council departments that also hold information).	Medium	<b>Planning Policy Team Manager</b>	August 2017	A separate update report will be submitted to the Audit and Governance Committee On 10th October 2018 and presented by the Planning Policy Team Manager.	
		17	Completed funding drawdown applications should be numbered and a record kept of their location should reference to these be required in the future.	Medium	<b>Planning Policy Team Manager</b>	July 2017	A separate update report will be submitted to the Audit and Governance Committee on 10th October 2018 and presented by the Planning Policy Team Manager.	
<b>2017/18 Reports</b>								
8	Assistive Technology	3	Where there has been no contact with a Lifeline Customer for 12 months the Customer should be contacted to confirm that their information held on Central Control records is accurate.	Medium	<b>Housing Support Team Leader</b>	Jul-18		Internal Audit followed up in September 2018. The Housing Support Team Leader highlighted concerns regarding the reliability of reports produced from the relevant system. The feasibility of producing a

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Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update ( September 2018)	Internal Audit Comments
								document to accompany rent statements at year end is to be reviewed. This will prompt customers to verify their information for key contacts etc.  Internal Audit will review this again in February 2019.
		15	A Service Level Agreement or similar document should be produced which clearly states the roles and responsibilities for each of the services involved in the provision of the Control Centre Service.	High	<b>Housing Management Team Manager, Housing Support Team Leader, Customer Services Team Leader</b>	May-18	The new Head of Customer Service has been in post since June 18 and has requested the Customer Service Management Team to begin to produce SLA documents with all key areas. The Control Centre will feature as part of this in conjunction with Housing Services. The timeline for implementation is to be extended by +3 months.	Internal Audit will follow up in January 2019.
10	Capital Accounting	1	It is recommended that a single Asset Disposal Policy is produced which includes disposal of Land and Buildings (Council and HRA), and Plant and Equipment. Responsibility for completion of the Land	High	<b>Head of Finance (S151 Officer) &amp; Asset Management Team Manager</b>	11 December 2018	Action Not yet due	Internal Audit to follow up in December 2018.

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Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update ( September 2018)	Internal Audit Comments
			<p>and Buildings element of the policy is being assigned to the Asset Management Team Manager, with the Plant and Equipment element being assigned to the Head of Finance (S151 Officer).</p> <p>The policy, once completed, should be formally approved (Asset Management Group, CLT) and made available to relevant staff.</p>					
11	Sundry Debtors	1	Operational procedure notes should be formalised and made available to all relevant staff in line with best practice. It may be prudent to undertake this exercise as part of the implementation of the new finance system in conjunction with any user manuals available.	Medium	<b>Exchequer Services Team Leader</b>	October 2019	<p>Work in progress to formalise all existing procedures.</p> <p>These processes will be reviewed and updated upon implementation of new Finance System.</p>	Internal Audit to review at 2018/19 audit in Quarter 4.
11	Sundry Debtors	6	The possibility of obtaining a report(s) which would identify outstanding debts and the year they are attributable to should be	High	<b>Exchequer Services Team Leader</b>	July 2018	Following the Audit, the system provider (Total Mobile) were contacted. Conversations with new Accounts Manager have taken place and a quote was received on the 21 <sup>st</sup>	Internal Audit to undertake further follow up in October 2018.

# RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

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Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update ( September 2018)	Internal Audit Comments
			investigated. (Aged Debt report)				September. The quote will now be reviewed.	
		8	Credit balances should be reviewed and action taken where appropriate.	Medium	<b>Senior Exchequer Services Assistant</b>	July 2018	This is an ongoing process, a number of the transactions stated in Audit report are resolved. Others require further information from Departments.	This will be fully reviewed during the 2018/19 Internal Audit of Sundry Debtors.
		9	Aged debtor reports should be issued to services each month, the service should confirm review of the report and provide updates to Exchequer services where necessary.	Medium	<b>Exchequer Services Team Leader</b>	September 2018	Dependant on new report requested from system provider. (See recommendation 6)	Internal Audit to undertake further follow up in October 2018
		10	Debts which are likely to be written off as statute barred (over six years old) should be reviewed to confirm whether any further recovery action is feasible. Further review should be undertaken to establish whether Total Live can generate reports to assist in the review of sundry debtor	Medium	<b>Exchequer Services Team Leader / Senior Exchequer Services Assistant</b>	October 2018	Procedure for dealing with potential write offs has been reviewed and documented. See recommendation 6 regarding availability of report to streamline process.	Internal Audit to follow up in November 2018

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			accounts to ensure that recovery action is taken on a timely basis					
12	Grants (Community Focus)		The procedure in relation to those officers who are required to approve or refuse grant applications should be updated to reflect current practice.	Medium	Stronger and Safer Communities Team Manager	Aug-18		Implemented
			Where decisions have been made to approve or refuse applications evidence of the decision should be retained.	High	Community Focus Support Officer	ASAP		Implemented
			Where applicants are required to submit further evidence in support of their application consideration should be given to setting a timescale as to when the evidence is to be received.	Advisory	Community Focus Team Leader	N/A		Advisory only – No Follow up required.
13	Grants (Business Focus)		Prior to issue of the grant offer letter for Golden Hello grants the application should be reviewed by a Senior Officer and their decision as to whether to award the grant (or otherwise) should be documented.	High	Economic Development Officer	Implementation date dependant on receipt of future grant applications.		Internal Audit to follow up in October 2018

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Report		Recommendation	Rating	Officer Responsible	Target Date	Responsible Officer Update ( September 2018)	Internal Audit Comments
		The information contained within each pipeline should be reviewed for accuracy. This review should be evidenced e.g. initials of reviewer, date reviewed.	Medium	Economic Development Officer	Sep-18		Internal Audit to follow up in October 2018

Internal Audit Performance

Performance Measures:

Performance Measure	2018/19 Quarter 2 Target	Position as at 25.9.18	Comments
Delivery of 2018/19 Audit Plan	40%	14% in relation to 2018/19 plan however time spent in Q1 completing six audits commenced in Q4 2017/18 resulting in delays in commencing Q2 audits. Planned audits are on track to achieve Q3 target.	Since the last update report, three final reports have been issued. This includes two reports relating to additional audits added to the plan in Q4 2017/18 and one report relating to the 2018/19 audit plan. In addition, compliance testing is substantially complete for two audits, one audit is in progress and two further audits are scheduled to commence in October 2018.
Percentage of Client Satisfaction with the Internal Audit Service	100%	N/A	Awaiting response for one client satisfaction questionnaire issued in September in relation to the 2018/19 audit plan.  Since the last update responses have been received in relation to two audit reviews from the 2017/18 audit plan indicating 100% client satisfaction in both cases.
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	
Compliance testing of completed recommendations	90%	100%	



## Service Plan Actions:

Key Deliverables (Action)	Quarter 2 Milestone	Position as at 25.9.18
Review and update Health and Safety risk assessments to ensure risks to staff and customers are controlled.	Health and Safety Assessment updated with action plan for improvements where necessary	Review Completed June 2018
Conduct self-assessment audit of all office areas and support activities of the Business Improvement Team.	Conduct Q1 self-assessment audit and report findings to Business Improvement Team	Review completed June 2018
Complete audits as per risk based audit plan	Complete 40% of audit plan	Since the last update report, 3 final reports have been issued. This includes 2 reports relating to additional audits added to the plan in Q4 2017/18 and one report relating to the 2018/19 audit plan. In addition, compliance testing is substantially complete for 2 audits, one audit is in progress and 2 further audits are scheduled to commence in October 2018.
Quarterly progress reports to Audit and Governance Committee	Progress report to September A&GC	Progress report to be submitted to October 2018 A&GC
PSIAS compliant Annual Opinion report for presentation to June A&G Committee.	Prepare PSIAS compliant Annual Opinion report for presentation to June A&G Committee.	Presented to A & G Committee in July 2018.
A risk based annual audit plan for 2019/20 approved by 31 March 2019.	N/A	Not yet due.
Deliver a shared service that Blaby District Council want to continue to share	Manage a shared service which meets SLA requirements.	No issues to report.