



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report: November 2014

1. Introduction

- 1.1 The assurances received through the Internal Audit programme is 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 Internal Audit Plan up to the end of November 2014.

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 plays 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 the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 This is achieved through Internal Audit providing a combination of assurance and consulting 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 2011, the Internal Audit Charter and the Council's Constitution. The Financial Regulations, which are part of the Constitution, sets 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. There are no impairments to report to senior management and the Audit and Governance Committee for the current financial year.

6 Internal Audit Team Update

- 6.1 The Senior Auditor has moved to a new role within the council, the Financial Services Team Manager post with effect from the 17th November. An interim Senior Auditor has been appointed on a four month contract and will commence on the 5th January. A review of the Internal Audit service is in progress by the Head of Finance to determine the method of delivery of the service from April 2015.

7 Internal Audit Plan Update

- 7.1 A progress report against the 2014-15 Internal Audit plan is documented in Appendix A. Nine audits have been completed for 2014/15.
- 7.2 An Executive Summary of all final reports issued since the progress report in September 2014 are documented in Appendix B.
- 7.3 The Internal Audit plan needs to be flexible in order to reflect current issues and resource requirements. There have been a number of changes to the Internal Audit plan approved in March 2014 and details are documented in the 'comments' column in Appendix A.

8 Internal Audit Recommendations

- 8.1 Internal Audit monitors and follows up all medium and high risk recommendations. Appendix C lists all outstanding recommendations along with a status update. Four recommendations outstanding have not been implemented by the agreed target date. Non implementation of recommendations exposes the council to risks within the internal control environment as highlighted within the internal audit report.

9 Internal Audit Performance Indicators

- 9.1 Period 8 performance information for Internal Audit in relation to its team plan actions and performance indicators is documented in Appendix D.

2014/15 Audit Plan Progress: November 2014 (In-house Audit Team Audits)

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Business Rates Retention	Risk Based	6.0	5.5	Final Report Issued	Grade 1	-	-	-	-	Audit undertaken by agency auditor.
Capital	Key Financial System	5.0	0.0	Audit removed from plan	-	-	-	-	-	Audit no longer required
Cash and Bank	Key Financial System	6.0	6.0	Final Report Issued	Grade 1	-	-	-	-	
Contracts and Procurement	Risk Based	6.0	0.1	Scheduled for Qtr 4						Moved to Quarter 4 due to the resources available within Internal Audit.
Creditors	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Debtors	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Decent Homes Improvement Programme	Risk Based	10.0	8.5	Final Report Issued	Grade 2	-	1	-	-	
Ethics	Assurance	8.0	0.0	Removed from plan						Testing included within the Governance audit
Fraud	Assurance	8.0	10.00	Draft Report Issued						Audit undertaken by agency auditor.
Governance & Ethics	Assurance	10.0	11.5	Final Report Issued	Grade 2	-	1	1	-	Audit now includes Ethics and number of days have increased.
Grant Income	Key Financial System	5.0	0.0	Scheduled for Qtr 4						
Housing – Other Capital Works	Risk Based	8.0	0.1	Scheduled for Qtr 4						Moved from Quarter 1 at the request of the Head of Housing
ICT Security/Back Up	Key Financial System	2.0	0.0	Removed from plan						Testing to be included within IT Key Controls audit to be undertaken by Leicestershire County Council.
Information Sharing	Risk Based	6.0	0.0	Scheduled for Qtr 4						Moved to Quarter 4 due to the resources available within Internal Audit.
Main Accounting	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Payroll	Key Financial System	8.0	0.0	Scheduled for Qtr 4						
Performance Management	Assurance	6.0	0.0	Scheduled for Qtr 4						Moved from Quarter 4

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
										at the request of the Head of Legal and Support Services
Planned Housing Maintenance	Risk Based	8.0	7.6	Final Report Issued	Grade 2	2	-	-	-	
Planning Policy/Local Plan	Risk Based	6.0	0.6	Removed from plan						The council is currently engaging the service of a consultant which is providing independent assurance.
Rent Accounting	Key Financial System	8.0	4.5	Draft Report Issued						
Risk Management	Assurance	8.0	0.0	Scheduled for Qtr 4						Moved to Quarter 4 due to the resources available within Internal Audit.
Sunbed Policy	Risk Based	4.0	4.1	Final Report Issued	Grade 2	3	-	-	-	Additional audit requested by the Head of Community Services.
Treasury Management	Key Financial System	6.0	5.8	Final Report Issued	Grade 1	-	-	-	-	Audit undertaken by agency auditor.

KEY

Assurance Levels:

- Grade 1** Internal Controls are adequate in all important aspects
Grade 2 Internal Controls require improvement in some areas
Grade 3 Internal Controls require significant improvement
Grade 4 Internal Controls are inadequate in all important aspects

Recommendations:

- H** High Priority
M Medium Priority
L Low Priority
A Advisory

EXECUTIVE SUMMARY OF FINAL INTERNAL AUDIT REPORTS ISSUED BETWEEN SEPTEMBER 2014 AND NOVEMBER 2014

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
Sunbed Policy	Community Services	Head of Community Services Leisure Services Team Manager	Grade 2	<p>The Suntower Skin Analysis Form should be redesigned without the 'scoring table' to avoid the possible skewing of answers to enable the user access to the sunbeds;</p> <p>The Centre Managers should consider whether the doors to the rooms containing the Suntower equipment should be re-hung to open out of the room in accordance with the Sunbed Association Code of Practice to avoid blocking access if the customer faints/collapses inside the room; and</p> <p>'Instructions for use' should be displayed in the Suntower room in accordance with the Sunbed Association Code of Practice.</p>	3	-	-	-
Planned Investment – Decent Homes Improvement Programme	Housing	Head of Housing Repairs & Investments Team Manager	Grade 2	The spreadsheet used to notify the Business Support Team of completed improvements should be updated monthly following agreement of completed works with the contractors.	-	1	-	-
Governance & Ethics	Corporate	Head of Finance & Head of Legal and Support Services	Grade 2	<p>The Local Code of Corporate Governance should be reviewed and updated; and</p> <p>Governance and Ethics awareness training should be provided to all relevant officers.</p>	-	1	1	-
Cash and Bank	Corporate	Head of Finance Financial Planning Team Manager	Grade 1	None identified	-	-	-	-

Recommendations Tracker – Outstanding High & Medium Recommendations

Report		Recommendation	Rating	Officer Responsible	Target Date	Status	Management Comments
2013/14 Reports							
6	Risk Management	2	Regular reports should be taken to the Cabinet and Audit Committees to provide assurance that risks are being managed appropriately.	High	Head of Finance as Chair of RMG	January 2014 Revised Date: July 2014 Dec 2014	In Progress (overdue) Head of Finance comments: Updates were provided to the Cabinet meeting on 18 November 2014 and for the Audit & Governance Committee on 10 December 2014.
16	Payroll	5	The draft service level agreement prepared by Selima should be redrafted with more performance targets identified. Until this happens it would be sensible to have formal recording of issues maintained by NWLDC and Selima with monthly exchange of such detail	High	Head of Finance	August 2014	In Progress (overdue) Head of Finance comments: Monthly conference calls and quarterly review meetings are in place. Performance has continued to improve.
17	ICT Security & Back Up Controls	1	ICT staff should only create a network user account on receipt of a properly authorised network access request and ensure that access rights are disabled for any user where notification is received that the user no longer requires network access.	High	ICT Team Manager	December 2014	In Progress ICT Team Manager Comments: Process is in place – January test is to reconcile active accounts with HR records to ensure process is working

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
		3	ICT in conjunction with Departmental managers should review the network access for staff under their control on an annual basis and the ICT Service Desk staff should ensure that managers authorise the required data areas for any user that has a change of role necessitating a variation in their access rights.	High	ICT Team Manager	March 2015	In Progress	ICT Team Manager Comments: To be addressed as part of the preparation for the 2014-15 PSN submission. Planning is now in progress, access list will be sent to Team Managers in January for review
		4	The ICT Team Manager should expedite the introduction of the proposed revised backup arrangements and perform a disaster recovery test at the earliest opportunity.	High	ICT Team Manager	December 2014	In Progress	ICT Team Manager Comments: New backup solution implemented and being tested onsite at council offices before being relocated offsite. In the meantime, tape backups still being done. 80% of testing of new backup solution complete. Will complete remaining 20% in December. Testing for email disaster recovery complete, planning for testing other systems in progress.
2014/15 Reports								
1	Planned Maintenance	1	All staff with responsibility for ordering goods and services should be given enhanced induction training covering Contract Procedure Rules and Financial Regulations.	High	Repairs & Investments Team Manager	October 2014	In Progress	Repairs and Investment Team Manager comments: Training to be delivered by the end of December 2014.
		2	The workload of the Repairs Client Team Leader should be reviewed by management and appropriate measures considered and implemented.	High	Repairs & Investments Team Manager	October 2014	In Progress	Repairs and Investment Team Manager comments: Review currently in progress.
7	Governance & Ethics	2	Governance and Ethics awareness training should be provided to all relevant officers.	Medium	Legal Services Team Manager	March 2015	In Progress	

Internal Audit Performance: November 2014

Performance Measures:

Performance Measure	2014-15 Qtr 3 Target	Position as at 30.11.14	Comments
Delivery of Audit Plan – Key Financial Systems	30%	37.5%	Housing Rents audit completed during the quarter and the Main Accounting audit will commence in December. The target has been achieved for the quarter.
Delivery of Audit Plan – Non Key Financial Systems	100%	55%	No-non key financial systems audits have been completed for the quarter. The risk management audit is due to commence in December. Due to the change in the audit team resources for quarter 3, the target will not be achieved. However, the performance measure is still on target to be achieved by the end of March 2015. Audit resources were used to complete the 2013/14 audit plan during Quarter 1.
Percentage of time spent on audit work	75%	81%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	
Compliance with the Internal Audit Standards	n/a	n/a	
Compliance testing of completed recommendations	90%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 30.11.14
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	Achieved No actions required
Undertake audits as per agreed Audit Plan.	Complete audits of 3 systems to enable the completion of the audit plan	On Target One audit has been completed and a further two are due to commence in December.
Provide the Audit Committee with quarterly reports on the work and performance of internal audit.	Progress report to December Audit Committee	On Target
Achievement of the PSAIS	Completion of action plan targets	Failing PSIAS action plan currently on hold whilst the service review is undertaken to determine the future delivery of the service.

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 30.11.14
Produce the 2013/14 Annual Audit Opinion Report by 30 th June 2014	No action for Quarter 3	-
Produce and have approved the 2015/16 Internal Audit Plan by 31 st March 2015.	No action for Quarter 3	-