



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report 2016/17
(to 15th November 2016)

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 Internal Audit plan up to 15 November 2016.

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 of the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 Internal Audit provides 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 2015, 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.

6 Internal Audit Plan Update

- 6.1 A progress report against the 2016/17 Internal Audit plan is documented in Appendix A. The Internal Audit 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 Internal Audit plan approved in March 2016 and details are documented in the 'comments' column in Appendix A.
- 6.2 One final report has been issued since the last update report, two are at the draft reporting stage and two audits are in progress. The executive summary for the final report issued is included in Appendix B. There are no significant control weaknesses to draw attention to at this point in time.

7 Internal Audit Recommendations

- 7.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. Appendix C lists overdue recommendations along with a status update. There is only one overdue recommendation and Internal Audit is satisfied that reasonable progress has been made so far.
- 7.2 All outstanding high and medium priority recommendations i.e. those not yet due, are included in Appendix D 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 E.

2016/17 AUDIT PLAN PROGRESS TO 15th NOVEMBER 2016

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	-	Schedule for Q4							
Creditors	Key Financial System	6	-	Engagement Planning							
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	Key Financial System	6	2.5	In progress							
Treasury Management (4)	Key Financial System	4	5	Final Report Issued	Grade 1	N/A	-	-	-	-	
ICT Key Controls	Key Financial System	-	-	Scheduled for Q3							This audit will be undertaken by ICT audit specialists and will take place in Q4.
Car parking and enforcement	Risk Based	7	3	In progress							
Enterprising NWLDC Grants (1)	Risk Based	4	7	Final Report	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	-	Scheduled for Q3/Q4							
Housing Management - Mobile Working	Risk Based	7	11	Draft Report Issued							Actual days greater than planned due to broader scope.
Housing – In House Repairs Service	Risk Based	10	-	Scheduled for Q4							
Planning Enforcement	Risk Based	7	-	Move to 2017/18 plan							IA resources required for additional audits.
Section 106	Risk Based	10	-	Scheduled for Q3/Q4							
Trade Refuse and Recycling (2)	Risk Based	10	7	Final Report Issued	Grade 1	N/A	-	1	1	-	

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C**	H	M	L	A	
Leicestershire Welfare Provision (3)	Risk Based	3	4	Final Report Issued	Grade 1	N/A	-	1	-	-	
Anti Fraud and Corruption Arrangements	Additional Risk Based	6*	-	Engagement Planning							This will take the form of a review against the CIPFA Code on Managing the Risk of Fraud and Corruption.
Asset Management System	Additional Risk Based	5*	6	Draft Report Issued							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*	-	Scheduled for Q4							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							
Coalville Project	Advisory	5	0.5	As required							
New financial systems	Advisory	5	2	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 01 SEPTEMBER 2016 – 15 NOVEMBER 2016

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations				
					C*	H	M	L	A
2016/17 Audits									
07 – Main Accounting System	Corporate Portfolio Holder	Interim Head of Transformation Financial Planning Manager	Grade 1	None.	-	-	-	-	-

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

See Appendix A for Key.

RECOMMENDATIONS TRACKER – OVERDUE RECOMMENDATIONS

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2015/16 Reports								
11	Safeguarding	5	Review and update the DBS policy in order to meet the Code of Practice requirements.	Medium	Senior HR Adviser	Feb 2016	In progress	The policy has been drafted and will be considered by CLT in December 2016.

RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
2015/16 Reports							
11	Safeguarding	2	Attendance at training events and completion of mandatory training modules should be monitored. Non attendance or non completion should be followed up so that alternative arrangements can be made as necessary.	Medium	Senior HR Adviser (L1) Designated Safeguarding Officers (DSO) Group (L2-9)	September 2016	Audit follow up will take place in November 2016
15	Sundry Debtors	1	Invoices that have been at the investigation stage for some time (including those relating to previous years) should be reviewed and prioritised so that appropriate action taken.	Medium	Senior Exchequer Services Officer	September 2016	Audit follow up will take place in November 2016
2016/17 Reports							
3	Leicestershire Welfare Provision	1	All processed applications are reconciled against the spreadsheet to ensure all information is correct prior to submission to LCC.	Medium	Housing Choices Team Leader	Immediate	Audit follow up will take place in November 2016

Internal Audit Performance: 15th November 2016

Performance Measures:

Performance Measure	2016/17 Quarter 3 Target	Position as at 15.11.16	Comments
Delivery of 2016/17 Audit Plan	65%	42%	Currently only half way through quarter 3 and on track to achieve plan therefore no cause for concern at this point.
Percentage of time spent on audit work	80%	86%	
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%	90%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 15.11.16
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 65% 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 December Audit and Governance Committee	On track.
Achievement of the PSAIS	Internal review of effectiveness of Internal Audit reported to June A&GC.	On track. Action plan produced as part of review against April 2016 PSIAS and is being progressed by Senior Auditor and Director of Resources.
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.	No action.	On track. Senior Auditor updates risk assessment throughout the year as new risks emerge and will carry out a full assessment in early 2017.