



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report May 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 2017/18 Internal Audit Plan up to 31 May 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 2017/18 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 has been one change to the plan approved in March 2017 and details are documented in the 'comments' column in Appendix A.
- 6.2 Four final reports have been issued since the last update report, one is at the report drafting stage and two are in progress. Internal Audit resources have been used in April and May to complete audits from the 2016/17 audit plan as well as working on audits from the 2017/18 plan and completing the Braunstone Town Council Audit.
- 6.3 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.
- 6.4 One of the four final reports issued was the Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. Audit and Governance Committee Members have sought assurance at previous meetings that anti-fraud and corruption arrangements are adequate. Our opinion was that internal controls require improvement in some areas (Grade 2). Our recommendations include 2 high priority recommendations:
- Assigning responsibility for managing the anti-fraud and corruption framework (normally this would be the Head of Finance however as this post has been vacant for some time this should be formally assigned to another officer); and
 - The need for an annual report on the effectiveness of arrangements in connection with the management of fraud should be considered.

The executive summary and all recommendations related to this audit are included in Appendices B and C respectively.

- 6.5 The final report for the ICT Key Controls Audit was issued by Leicestershire County Council specialist ICT auditors. The opinion was that internal controls require improvement in some areas (Grade 2) and the recommendations have been included in Appendix C as the in-house team will be following up the recommendations.

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 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.

2017/18 AUDIT PLAN PROGRESS TO 31st MAY 2017

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Housing											
Choice Based Letting	Risk Based	5		Scheduled for Q1/Q2							
Gas/Solid Fuel Servicing and Maintenance	Risk Based	10		Scheduled for Q1/Q2							
Housing Management Support Service	Risk Based	4		Scheduled for Q2							
Housing Repairs	Risk Based	10		Scheduled for Q3/Q4							
New Council Houses	Risk Based	5		Scheduled for Q3							
Rent Accounting	Risk Based	6		Scheduled for Q3							
Right to Buy	Risk Based	5	0.5	In progress							
Housing ICT Review	Advisory	5									
Housing Repairs	Advisory	10									
Community Services											
Grounds Maintenance	Risk Based	6		Scheduled for Q3/Q4							
Leisure Centres	Risk Based	6		Scheduled for Q2							
Planning Enforcement	Risk Based	6		Scheduled for Q3/Q4							
New Car Parking Machines	Advisory	2									
Disabled Facilities Grant Determination	Grant	3		Scheduled for Q2							
Planning											
Development Control	Risk Based	6		Scheduled for Q1							
Economic Development											
Cultural Services	Risk Based	4		Removed from Plan							The Service is currently going through an internal review therefore will consider the need for this audit in 2018/19.
Coalville Project	Advisory	2									
Business Focus Database	Advisory	1		In progress							
Finance											
ICT Assets	Risk Based	5		Scheduled for Q1							

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Key Financial Systems	Risk Based	30		Scheduled for Q2-Q4							
Finance Service/Systems Review	Advisory	4		In progress							

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 MARCH 2017 – 31 MAY 2017

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
2016/17 Audits									
10 – Creditors	Corporate Portfolio Holder	Head of Transformation Financial Services Team Manager	Grade 1	Purchases made using Council Credit. Cards and treatment of VAT associated with these purchases.	-	-	1	1	-
11 – Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	Corporate Portfolio Holder	Head of Transformation	Grade 2	Assigning responsibility for managing the anti-fraud and corruption framework. Annual reporting.	-	2	4	2	-
12 – Cash and Bank	Corporate Portfolio Holder	Head of Transformation Financial Services Team Manager	Grade 1	None	-	-	-	-	-
13 – Disabled Facilities Grants	Community Services Portfolio Holder	Head of Community Services Environmental Protection Team Manager	Grade 2	The administrative procedures relating to the processing of applications. The copy of the Terms and Conditions issued to customers.	-	2	3	-	-

See Appendix A for Key.

Appendix C

RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS (CRITICAL, HIGH AND MEDIUM)

Report	Recommendation	Rating	Officer Responsible	Target Date	Senior Auditor Comments		
2016/17 Reports							
10	Creditors	2	The processes associated with credit card purchases should be reviewed with consideration given to introducing a check by Finance. Following this, guidance should be issued to all staff involved in the administration of credit card purchases as to the documentation required to facilitate the recovery of VAT. It should also be agreed as to whether a review of previous purchases should be undertaken.	Medium	Exchequer Services Team Leader	Implemented immediately	Implemented immediately.
11	Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption	1	It should be formally confirmed as to who has responsibility for overseeing the anti-fraud and corruption framework at the Council. The Anti-Fraud and Corruption Policy should be updated in order to accurately reflect this.	High	Interim Director of Resources	17.03.17	Implemented – the Anti-Fraud and Corruption Policy is under review as part of recommendation 7.
		3	Consideration should be given to as to whether the Council requires a strategy or action plan to supplement the Anti-Fraud and Corruption Policy.	Medium	Interim Head of Transformation	28.04.17	Audit follow up will take place in June 2017
		4	Consideration should be given as to whether the induction process should include fraud awareness training.	Medium	HR Team Manager	31.03.17	Implemented – there are already a number of compulsory modules and it has been decided to include this from June 2017.
		5	The difficulties currently being experienced by NWLDC employees working at The Partnership in relation to receiving and accessing corporate communications should be investigated.	Medium	IT Team Manager	31.03.17	Implemented

Report		Recommendation	Rating	Officer Responsible	Target Date	Senior Auditor Comments
		7 A review should be undertaken to confirm that the policy framework is satisfactory and policies are up to date. As part of this the need for a cyber security policy should be considered.	Medium	Interim Head of Transformation	26.05.17	Audit follow up will take place in June 2017
		8 As part of the decision as to whether or not an anti-fraud and corruption strategy is appropriate for the Council, the requirement to produce an annual report on the effectiveness of arrangements in connection with the management of fraud should be considered.	High	Interim Head of Transformation	26.05.17	Audit follow up will take place in June 2017
13	Disabled Facilities Grants	1 NWLDC should ensure that the service providers revise the procedure relating to the previous grants check, and the recording of this on the file checklist, to ensure that it is practical, consistent and provides an adequate audit trail.	Medium	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented
		2 NWLDC should ensure that the service providers remind all relevant staff to check the initial forms received from the Occupational Therapists to ensure that they are correct and up to date. Any discrepancies should be referred back to the relevant person, and revised forms obtained if required.	Medium	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented
		3 NWLDC should work with the service providers to agree the procedures for cases requiring additional funding which will exceed the statutory limit of £30k. These should be clearly documented and communicated to all relevant staff in order to ensure that:	High	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			<ul style="list-style-type: none"> a. formal approval is obtained prior to the commencement of the additional work b. a revised financial assessment is obtained if required c. customers are made aware of their liability for any unapproved costs. 				
		4	Consideration should be given to revising the application form so that the customer agrees to provide additional financial information throughout the process if required.	Medium	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented
		5	The Terms and Conditions issued to NWLDC customers should be reviewed and revised to ensure that they are accurate and that the controls in place to ensure compliance with all relevant conditions are adequate.	High	Environmental Protection Team Manager and Public Protection Team Leader	31.03.17	Implemented
NA	Key ICT Controls Audit	1	The list of support contracts should be kept up to date. Consideration should be given as to whether the support contract information can be held on the Service Desk Management System.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		2	ICT Management should give consideration to developing a more encompassing ICT Service Level Agreement increasing the range of measures which ICT should be monitored against.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		3	ICT Management should document the new DR arrangements once they have been established e.g. into a formal DR Policy/Plan. Once the new DR arrangements have been	Medium	IT Manager	September 2017	Audit follow up will take place in October 2017

Report		Recommendation	Rating	Officer Responsible	Target Date	Senior Auditor Comments
		established regular DR tests should be planned and undertaken.				
	4	Consideration should be given to ensuring third parties who connect to the NWLDC network have signed up/ agreed to some form of Third Party Code of Connection.	Medium	IT Manager	August 2017	Audit follow up will take place in October 2017
	5	The list of users who have been afforded a Swivel token should be reviewed to determine whether the employees still require a token.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
	6	Consideration should be given to implementing a capacity monitoring solution to prevent any system downtime as a result of capacity issues to enable any areas of concern to be addressed in a proactive manner.	Medium	IT Manager	September 2017	Audit follow up will take place in October 2017
	7	ICT should ensure that reasons for the alert not being sent are investigated and any lessons are learned to prevent a similar issue arising with the backup.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
	8	The IT Security Policy or the actual network password configurations should be updated to reflect the correct password requirements.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
	9	Consideration should be given to reviewing the password configurations for key IT applications to ensure that they are reasonable. Where a decision is made to allow for more relaxed password requirements any associated risks should be formally approved by Senior Management.	Medium	IT Manager, in conjunction with the Systems Administrators	July 2017	Audit follow up will take place in August 2017
	10	Managers should be reminded on the need to notify Systems Administrators when an employee leaves the organisation so that access rights to the relevant systems can	Medium	, IT Manager, in conjunction with the Systems Administrators	July 2017	Audit follow up will take place in August 2017

Report		Recommendation	Rating	Officer Responsible	Target Date	Senior Auditor Comments	
		11	be removed promptly.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		12	A decision should be undertaken on the action that should be taken on accounts that have not been logged into for over 90 days. These accounts should then be reviewed and disabled where they are no longer required.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		13	Consideration should be given to adopting a Privilege Access Policy or incorporating this into an existing policy. Access to these accounts should be granted through approval by Management and activities on these accounts should be monitored commensurate with risk. A suitable monitoring solution should be considered.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		14	ICT Management should undertake a review of all the generic domain accounts set up and disable/delete the accounts as appropriate.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017
		14	A formal Change Control Policy should be developed (or incorporated within an existing policy) and rolled out to all departments.	Medium	IT Manager	July 2017	Audit follow up will take place in August 2017

Internal Audit Performance

Performance Measures:

Performance Measure	2017/18 Quarter 1 Target	Position as at 31.05.17	Comments
Delivery of 2017/18 Audit Plan	20%	7%	One 2017/18 audit in progress at this point. Time spent in April and May completing 2016/17 audit plan as well as the Braunstone Town Council Audit.
Percentage of time spent on audit work	80%	80%	
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%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 1 Milestone	Position as at 31.05.17
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 completed 30.05.17 with no actions required.
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.	Achieved
Complete audits as per risk based audit plan	Complete 20% of audit plan.	7% completed as time spent in April and May completing 2016/17 plan. The quarter target may not be achieved however we should catch up in the next quarter.
Quarterly progress reports to Audit and Governance Committee	Progress report to June Audit and Governance Committee	On track for 21 st June Audit and Governance Committee.
Achievement of PSIAS action plan and associated Quality Assurance and Improvement Programme	Internal review of effectiveness of Internal Audit reported to June 2016 A&GC.	This is included within the Annual Opinion Report which will be presented at 21 st June Audit and Governance Committee.
Annual Audit Opinion delivered by 30 th June 2017 deadline.	Prepare Annual Report for presentation to June A&GC	This is included within the Annual Opinion Report which will be presented at 21 st June Audit and Governance Committee.
Risk based annual audit plan for 2018/19 approved by 31 March 2018.	Not applicable.	Not applicable.

