



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report

OCTOBER 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 31st October 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 Interim Audit Manager left the Council on 19th October 2018. The Audit Manager will be returning from maternity leave on 27th November 2018.

7 Internal Audit Plan Update

- 7.1 Since the last update report, one report has been issued for management review, two are at report drafting stage, three reviews are in progress and two are at engagement planning stage.

There have been no final audit reports issued between 1st and 31st October 2018.

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 Internal Audit Recommendations

- 8.1 Internal Audit monitors and follows up all critical, high and medium priority recommendations. All outstanding recommendations are included at Appendix B for information.
- 8.2 The Head of Finance will provide a verbal update at the meeting with regard to the outstanding Anti-Fraud and Corruption recommendation.

9 Internal Audit Performance Indicators

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

2018/19 AUDIT PLAN PROGRESS TO 31st OCTOBER 2018

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
HR & ORGANISATIONAL DEVELOPMENT											
Health & Safety	Risk Based	8	7.6	In progress							
HOUSING											
Homelessness (New Homelessness Reduction Act)	Risk Based	8	-	Scheduled for Q3							
Housing Repairs	Risk Based	15	18.5	Report drafting.							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 (2)	Risk Based	10	10.9	Report issued for management review.							Additional testing identified during the audit
Property Services	Risk Based	8	-	Scheduled for Q4							
Housing ICT review	Advisory	2	-	As required							
COMMUNITY SERVICES											
Grounds Maintenance	Risk Based	7	1.6	In progress							
Planning Enforcement	Risk Based	8	-	Scheduled for Q3							
Car Parking & Enforcement (1)	Risk Based	6	6.5	Complete	Grade 1						
Environmental Health (Licensing)	Risk Based	8	0.5	Engagement planning							
PLANNING											
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 Q4)							

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
ECONOMIC DEVELOPMENT											
Cultural Services	Risk Based	5	-	Scheduled for Q4							Phase 2 of Restructure – to review audit requirements in Q4
FINANCE											
Creditors	Key Financial System	6	3.3	Report drafting							
Rent Accounting	Key Financial System	4	0.3	In progress							
Treasury Management	Key Financial System	4	-	Scheduled Q4							
Sundry Debtors	Key Financial System	5	-	Scheduled Q4							
Main Accounting	Key Financial System	5	-	Scheduled Q3/4							
Budgetary Control	Key Financial System	7	-	Scheduled Q3/4							
HR & Payroll	Key Financial System	4	-	Scheduled Q4							
Contract /Programme Management	Risk Based	6	0.5	Engagement Planning							
Finance service/systems reviews	Advisory	6	3	As required							
ICT											
Firmstep – Phase 1 Implementation	Risk Based	6	-	Deferred to Q3							Audit requirements to be reviewed

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.

RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

Appendix B

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update (October 2018)	Internal Audit Comments
2016/17 Reports								
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	Head of Finance Originally assigned to the Head of Transformation	Original target date 26.05.17	Additional support required to carry out this significant piece of work and seeking support from colleagues at Leicester City Council. The revised likely timeframe for completion of this piece of work is now Q1 2019/20 pending confirmation of third party support.	In progress. Update on timescales for implementation to be provided at Audit & Governance Committee 5 th December 2018.
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	Planning Policy Team Manager	September 2017	The Planning Policy Team Manager provided a progress report to Audit & Governance Committee 10 th October 2018.	At the request of the service Internal Audit have witnessed progress in relation to site overview sheets for S106 agreements. Internal Audit to carry out a full audit in Q4.
		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	Planning Policy Team Manager	October 2017	As above.	As above

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update (October 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	Planning Policy Team Manager	August 2017	As above	As above
		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	Planning Policy Team Manager	July 2017	As above.	As above
2017/18 Reports								
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	Housing Support Team Leader	Jul-18	Not yet due – see Internal Audit comments	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 document to accompany rent statements at year end is to be reviewed.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update (October 2018)	Internal Audit Comments
								<p>This will prompt customers to verify their information for key contacts etc.</p> <p>Internal Audit to follow up in February 2019.</p>
		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	Housing Management Team Manager, Housing Support Team Leader, Customer Services Team Leader	May-18	Not yet due – see Internal Audit comments.	<p>Target date extended to January 2019 at the request of the Head of Customer Services. SLA documents being produced with all key areas, Central Control to feature as part of this in conjunction with Housing Services.</p> <p>Internal Audit will follow up in January / February 2019.</p>
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 and Buildings element of the policy being assigned to the Asset Management Team Manager, the Plant and Equipment element being assigned to the Head of Finance (S151	High	Head of Finance (S151 Officer) & Asset Management Team Manager	11 December 2018	Single Asset Disposal Policy drafted and due to be presented to Policy and Development Group in January and Cabinet in February 2019.	Internal Audit will now follow up in January 2019.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update (October 2018)	Internal Audit Comments
			Officer). The policy, once completed, should be formally approved (Asset Management Group, CLT) and made available to relevant staff.					
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	Exchequer Services Team Leader	October 2019	Not yet due – see Internal Audit comments	Work in progress to formalise all existing procedures. These processes will be reviewed and updated upon implementation of new Finance System. 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 investigated. (Aged Debt report)	High	Exchequer Services Team Leader	July 2018	Quote provided by Supplier to produce report. Work scheduled to start to build this report mid November 2018.	Internal Audit to follow up in January 2019.
		8	Credit balances should be reviewed and action taken where appropriate.	Medium	Senior Exchequer Services Assistant	July 2018	No response required – see Internal Audit comments	This is an ongoing process with credit balances being reviewed. Progress will be reviewed during the 2018/19 Internal Audit of Sundry Debtors.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update (October 2018)	Internal Audit Comments
		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	Exchequer Services Team Leader	September 2018	No response required – see Internal Audit comments	Dependant on outcome of recommendation 6. Internal Audit to follow up in January 2019.
		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 accounts to ensure that recovery action is taken on a timely basis	Medium	Exchequer Services Team Leader / Senior Exchequer Services Assistant	October 2018	No response required – see Internal Audit comments	Dependant on outcome of recommendation 6. Internal Audit to follow up in January 2019.
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.	Grant officers decision reviewed by Business Focus Manager. Decisions documented and recorded on pipeline.	Implemented

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update (October 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	Pipeline now reviewed for accuracy. Evidence of review recorded on pipeline.	Implemented

Appendix C

Internal Audit Performance

Performance Measures:

Performance Measure	2018/19 Quarter 3 Target	Position as at 31.10.18	Comments
Delivery of 2018/19 Audit Plan	65%	27%	Performance below target mainly due to absence of Internal Auditor during Q2. Target should be achieved by the end of Q3.
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	One client satisfaction questionnaire returned for 2018/19.
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 3 Milestone	Position as at 31.10.18
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 Q3 self-assessment audit and report findings to Business Improvement Team	To be undertaken during Q3
Complete audits as per risk based audit plan	Complete 65% of audit plan	Since the last update report, no final reports have been issued. Three audits are currently in progress, a further two at report drafting stage and one has been issued for management review.
Quarterly progress reports to Audit and Governance Committee	Progress report to December A&GC	Progress report to be submitted to December 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.

Key Deliverables (Action)	Quarter 3 Milestone	Position as at 31.10.18
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