



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council

Internal Audit Progress Report

FEBRUARY 2019

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 28th February 2019.

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.

7 Internal Audit Plan Update

- 7.1 Since the last update report the returning Audit Manager has undertaken a review of the plan and assessed current risks to ensure the most effective use of the Internal Audit resources, with a focus on high risk areas for the remainder of 2018/19. It should be noted that the Audit Manager can request additional resources if this is considered necessary to be able to give the Internal Audit Annual Opinion (this is in line with Public Sector Internal Audit Standards). The Audit Manager does not consider this to be necessary at this time however there have been a number of changes to the 2018/19 audit plan. These are detailed in Appendix A and include:
 - Four audits deferred to 2019/20 (Property Services, Licensing, Enforcement Planning and Project Management).
 - Two audits removed from the plan (Planning Peer Review and Cultural Services).
- 7.2 The following progress has been made against the plan:
 - Four final audit reports have been issued – Gas and Solid Fuel Maintenance and Servicing Performance Monitoring (2), Housing Repairs (3), Rent Accounting (4) and Creditors (5). The executive summaries for these reports are detailed in Appendix B.
 - Two audits have been issued for management review or in draft form – Grounds Maintenance (6) and Treasury Management (8).
 - Four audits are in progress – Health and Safety, HR and Payroll, S106 and Main Accounting System and Budgetary Control.
 - Two audits are at the engagement planning stage - Firmstep and New Council Houses.

8 Key Audit Findings and Trends

- 8.1 The Gas and Solid Fuel Maintenance and Servicing Performance Monitoring Audit resulted in a Grade 3 audit opinion (requires significant improvement). The main areas identified for improvement were:
 - Delays in receipt of performance information from contractor.
 - Accuracy of performance reporting.
 - Assurances regarding security of data held by the contractor.

The report was issued for Management Review in October 2018, however there were delays in issuing the final report due to there being a period of time where there was no Audit Manager in post. It is pleasing to note that during this time the Service acted upon the recommendations made as part of the audit, with six of the nine recommendations having already been satisfactorily implemented by the time the final report was issued. The Service has also appointed a specialist third party auditor to

provide independent assurance with regards to the standard and quality of work undertaken by the contractor.

- 8.2 As part of the Procurement CAT the Head of Finance has initiated the development of a contract management guide. Internal Audit welcome this with the expectation that it will provide support and guidance to officers across the Council who have, or will have, responsibility for managing a contract.

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. This includes the recommendations that have been recommended and implemented in the November to February timeframe to show progress.
- 9.2 There is one recommendation outstanding from an audit that was carried out in 2016/17:
1. Review of Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
The Head of Finance is taking forward the recommendation to review the anti-fraud and corruption policy framework as this had previously been assigned to an officer who is no longer at the Council and did not form part of the formal handover. This work will be carried out by the Leicestershire Counter Fraud Intelligence Hub and will also test how embedded the policies are across the organisation.

10 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 D.

2018/19 AUDIT PLAN PROGRESS TO 28th FEBRUARY 2019

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	18	In progress							Planned days will be significantly exceeded due to audit being started by interim audit manager early in the year but only partially completed. The audit is now being progressed with an increased scope.
HOUSING											
Homelessness (New Homelessness Reduction Act)	Risk Based	8		Q4							
Housing Repairs (3)	Risk Based	15	20	Final report issued	Grade 2	-	1	4	-	-	No of planned days increased due to volume of testing required.
New Council Houses	Risk Based	5	0.1	Engagement Planning							
Gas and Solid Fuel Maintenance and Servicing Performance Monitoring (2)	Risk Based	10	12.4	Final report issued	Grade 3	-	5	3	1	-	Additional testing identified during the audit.
Property Services	Risk Based	8	-	Deferred to 2019/20 Q1							Audit deferred at request of Head of Housing and Property as new manager starts January 2019.
Housing ICT review	Advisory	2	-	As required							
COMMUNITY SERVICES											

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
Grounds Maintenance (6)	Risk Based	7	12.4	Management review draft report issued							Planned days exceeded due to additional testing required during the audit.
Planning Enforcement	Risk Based	8	-	Deferred to 2019/20 Q1							Deferred to 2019/20 Q1 as new policy going to Cabinet in February 2019 therefore will audit against this.
Car Parking & Enforcement (1)	Risk Based	6	6.5	Final report issued	Grade 1	-	-	-	-	-	
Environmental Health (Licensing)	Risk Based	8	0.5	Deferred to 2019/20 Q1							Deferred to 2019/20 Q1 due to audit team focus on 'high risk' areas for remainder of 2018/19.
PLANNING											
Peer review outcomes (Review of implementation/follow up)	Risk Based	3	-	Removed from plan							This audit is no longer needed due to high level scrutiny of progress which Audit Manager can take assurance from.
S106 (Detailed follow up)	Risk Based	6	2	In progress							
ECONOMIC DEVELOPMENT											
Cultural Services	Risk Based	5	-	Removed from plan							Audit not required at this time – service under review and assurance taken from earlier grants audits.

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations					Comments
						C	H	M	L	A	
FINANCE											
Creditors (5)	Key Financial System	6	6	Final report issued	Grade 2	-	2	1	-	-	
Rent Accounting (4)	Key Financial System	4	5.4	Final report issued	Grade 2	-	1	2	-	-	
Treasury Management (8)	Key Financial System	4	4.4	Management review draft report issued							
Sundry Debtors	Key Financial System	5		Scheduled Q4							
Main Accounting and Budgetary Control	Key Financial System	8	0.5	In progress							Budgetary control to be included here rather than a separate audit.
Budgetary Control	Key Financial System	7	-	Will be covered as part of MAS audit							Removed from plan as will audit with Main Accounting System.
HR & Payroll	Key Financial System	8	2.2	In progress							Number of days planned increased from 4 to 8 to reflect testing required.
Project Management (originally named Contract /Programme Management)	Risk Based	6	0.3	Deferred to 2019/20							Deferred to 2019/20 as systems and processes under review currently.
Finance service/systems reviews	Advisory	6	3	As required							
ICT											
Firmstep – Phase 1 Implementation	Risk Based	6	0.3	Engagement Planning							

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 NOVEMBER 2018 – 28 FEBRUARY 2019

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Main Areas for Improvement	Recommendations				
					C	H	M	L	A
2018/19 Audits									
2 – Gas and Solid Fuel Maintenance and Servicing Performance Monitoring	Housing Portfolio Holder	Head of Housing and Property Asset Management Team Manager	Grade 3	Delays in receipt of performance information from contractor. Accuracy of performance reporting. Assurances regarding security of data held by contractor.	-	5	3	1	-
3 – Housing Repairs	Housing Portfolio Holder	Head of Housing and Property Housing Commercial Services Team Manager	Grade 2	Updating system for Post Inspections. Indexing and updating procedure notes.	-	1	4	-	-
4 – Rent Accounting	Housing Portfolio Holder	Head of Housing and Property Housing Strategy and Systems Team Manager	Grade 2	Authority to write off rechargeable repairs debts.	-	1	2	-	-
5 – Creditors	Corporate Portfolio Holder	Head of Finance Finance Team Manager	Grade 2	Updating the list of authorised signatories and confirming officers who are authorised to approve. Review of authorisation limits held on finance system.	-	2	1	-	-

RECOMMENDATIONS TRACKER – OUTSTANDING RECOMMENDATIONS

Appendix C

Report	Recommendation	Rating	Officer Responsible	Target Date	Responsible Officer Update	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 Project scoped with Leicester City Council. As at time of writing, proposal awaited to formally engage work.	In progress. Internal Audit will review outcome of work from Leicester City Council.	
2017/18 Reports								
8	Assistive Technology	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	January 2019 Extended until 31 st March 2019	Not yet due.	Internal Audit will follow up in April 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 and Buildings element of the policy being	High	Head of Finance (S151 Officer) & Head of Housing and Assets	11 December 2018	Draft policy has been delayed. Will be presented to PDG, AMG, CLT and Cabinet during Q4/Q1.	This is in draft form and is being taken forward by the Head of Finance and Head of Housing and Property.

Report		Recommendation	Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
		<p>assigned to the Asset Management Team Manager, 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	Medium	Exchequer Services Team Leader	October 2019	Ongoing Process. Procedures updated and to be reviewed and finalised by 31.05.19. To be reviewed and updated again upon implementation of new finance system	Internal Audit to follow up formally at audit in March 2019.
		9	Medium	Exchequer Services Team Leader	September 2018	Report has been produced by software supplier (final amendment 24.01.19). Testing being undertaken. To begin issuing by end of March 19.	Internal Audit to follow up formally at audit in March 2019.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
		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 the system 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	Review of processes and priorities undertaken and action plan in place. Reporting linked to Recommendation 9- additionally new report developed to assist in monitoring instalment plans. No write offs currently pending Compiling of data relating to new cases to commence during March 19.	Internal Audit to follow up formally at audit in March 2019.
2018/19 Reports								
2	Gas and Solid Fuel Maintenance and Servicing Performance Monitoring	1	The information relating to Gas and Solid Fuel Servicing contained on the NWLDC website should be reviewed. Any out of date / incorrect information should be removed.	Low	Asset Manager	Implemented	Not required as recommendation has already been implemented.	Implemented
		2	Minutes of weekly contract meetings between contractor and NLWDC should clearly show actions to be taken and target for completion and assign responsibility for completing the action. Any subsequent minutes should show progress made against the action.	Medium	Asset Manager	Implemented	Not required as recommendation has already been implemented.	Implemented
		3	The necessity to hold weekly meetings with	Medium	Asset Manager	Implemented	Not required as recommendation has	Implemented – formal monthly meetings.

Report		Recommendation	Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments	
						already been implemented.		
		4	In order to effectively manage the contract, performance information should be received on a monthly basis and in advance of monthly contract meetings.	High	Asset Manager	Implemented	Not required as recommendation has already been implemented.	Implemented
		5	The contractor should be requested to provide performance information in such a way that it clearly identifies under performance and reasons for this. Where figures have been revised reasons for this should be obtained.	High	Asset Manager	31 January 2019	Ongoing.	Implemented
		6	Should the contract be extended the performance should be closely monitored and performance information provided to the Council on a monthly basis	High	Asset Management Team Manager	Implemented	Not required as recommendation has already been implemented.	Implemented
		7	The format and presentation of information contained within the Client Management report should be reviewed. The report should highlight areas of concern and points for discussion at	High	Asset Manager	31 January 2019	Implemented	Implemented

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
			monthly contract meetings and be reviewed for accuracy prior to it being issued. Any supporting information to substantiate figures contained within the report should be retained in the event of any dispute.					
		8	Servicing certificates received from the contractor should be checked to confirm that they are original certificates and not photographs. A reminder should be issued to the contractor to advise that photographs of certificates are not acceptable.	Medium	Asset Manager	Implemented	Not required as recommendation has already been implemented.	Implemented
		9	Assurance should be obtained from the contractor regarding the security and retention of data they hold relating to Council tenants.	High	Asset Manager	31 January 2019	Ongoing	Follow up in progress.
3	Housing Repairs	1	The procedure for dealing with scrap materials should be finalised and circulated to all relevant staff	High	Repairs and Maintenance Manager	31 January 2019	Not required as recommendation has already been implemented.	Implemented
		2	Staff should be made aware of the Council's Whistleblowing Policy	Medium	Repairs and Maintenance Manager	31 January 2019	Not required as recommendation has	Implemented

Report	Recommendation	Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
	and the purpose of this policy				already been implemented.	
	3 A review of those procedures held relating to Housing Maintenance should be undertaken. Those procedures found to be no longer relevant should be archived with clear indication that they are no longer relevant. Relevant procedures should be reviewed and updated as necessary. A version history being added to the procedures to clearly show when they were updated and approved.	Medium	Repairs and Maintenance Manager	31 March 2019	Deadline not yet reached. Work has commenced and is on track for completion by the target date.	Internal Audit follow up in April 2019.
	4 A table should be drawn up which contains those procedures relating to Housing Maintenance which shows when they are next due for review / update in order that this can be monitored.	Medium	Repairs and Maintenance Manager	31 March 2019	Deadline not yet reached. Work has commenced and is on track for completion by the target date.	Internal Audit follow up in April 2019.
	5 The procedures associated with recording of Post Inspections on the system should be circulated to those staff responsible for carrying out Post Inspections. Confirmation should be obtained from those members of staff to	Medium	Repairs and Maintenance Manager	31 March 2019	Implemented.	Implemented

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
			confirm that they have read and understood the procedures.					
4	Rent Accounting	1	The possibility of recovering those arrears relating to Tenancy Ref: 004200520003 should be explored. If it is possible to recover these arrears guidance should be obtained from Capita to ensure that reports would identify similar cases in the future to enable prompt recovery action.	Medium	Income & Systems Team Leader	1 March 2019	Recommendation not yet due.	Internal Audit follow up March 2019.
		2	In conjunction with the Exchequer Services Team Leader, the former lifeline accounts (002010010LIFE001 and 530640250LIFE001) should be reviewed to determine the amounts which have been incorrectly invoiced. Where this is the case credit notes should be applied to cancel the original charge. The remaining balances (if any) should be considered for write off if no further recovery action is possible.	Medium	Income & Systems Team Leader and Exchequer Services Team Leader	1 March 2019	Recommendation not yet due.	Internal Audit follow up March 2019.
		3	A procedure should be agreed for the	High	Housing Strategy and	15 April 2019	Recommendation not yet due.	Internal Audit follow up March 2019.

Report		Recommendation		Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
			authorisation for write off of debts relating to rechargeable repairs. Once agreed the FTA Recovery Procedure should be updated accordingly.		Systems Team Manager			
5	Creditors	1	The list of authorised signatories should be reviewed and updated accordingly. Where necessary, this will also require the issuing of new authorised signatories forms for those officers where there have been changes to their role or authorisation limits.	High	Finance Team Manager (Deputy S151 Officer)	Implemented	Not required as recommendation has already been implemented.	Implemented
		2	Following update of the authorised signatories spreadsheet, Total Live should be reviewed to confirm that the correct authorisation limits have been recorded.	High	Finance Team Manager (Deputy S151 Officer)	Implemented	Not required as recommendation has already been implemented.	Implemented
		3	It should be confirmed whether there has been formal agreement to allow Team Managers to authorise officers to approve expenditure and if so the relevant sections of the Council Constitution should be updated to reflect this. Where this is not the case the forms which	Medium	Head of Finance (S151 Officer)	March 2019	Recommendation not yet due.	Internal Audit follow up April 2019.

Report		Recommendation	Rating	Officer Responsible	Target Date	Responsible Officer Update	Internal Audit Comments
		have been authorised by Team Managers should be issued to the relevant Head of Service / Director to approve retrospectively					

Internal Audit Performance

Performance Measures:

Performance Measure	2018/19 Quarter 4 Target	Position as at 28.02.19	Comments
Delivery of 2018/19 Audit Plan	90%	47%	Performance below target mainly due to gap in resources at Audit Manager level, with accrued leave to take on return from maternity leave. Also the auditor had to take nearly all leave in the summer due to personal commitments. It is hoped to achieve 80-85% of the audit plan by year end.
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	Five client satisfaction questionnaires returned during 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 4 Milestone	Position as at 28.02.19
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 Q4 self-assessment audit and report findings to Business Improvement Team	To be undertaken during Q4.
Complete audits as per risk based audit plan	Complete 90% of audit plan	Since the last update report, four final reports have been issued. Four audits are currently in progress, a further two at report drafting stage and two are at the engagement planning stage.
Quarterly progress reports to Audit and Governance Committee	Progress report to March A&GC	Progress report will be updated for March 2019 A&GC

Key Deliverables (Action)	Quarter 4 Milestone	Position as at 28.02.19
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.	2019/20 annual audit plan to be presented to 20 th March A & GC.	Draft 2019/20 annual audit plan to be presented to CLT 6 th February 2019 and discussed at meeting with A&GC Members on 21 st February.
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.