

## NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL

### AUDIT AND GOVERNANCE COMMITTEE – 11 DECEMBER 2013

Title of report	<b>INTERNAL AUDIT PROGRESS REPORT APRIL 2013 – OCTOBER 2013</b>
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Purpose of report	To inform the committee of the progress against the internal audit plan for 2013/14 and an update on the recommendations agreed and implemented.
Reason for Decision	To comply with the Public Sector Internal Audit Standards.
Council Priorities	Value for Money
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	The Internal Audit planning process is based on a risk assessment methodology
Equalities Impact Assessment	Not Applicable
Human Rights	None
Transformational Government	Not Applicable
Consultees	None.
Background papers	<a href="#">Public Sector Internal Audit Standards</a>

Recommendations	<b>THAT THE COMMITTEE NOTES THIS REPORT AND COMMENTS AS APPROPRIATE.</b>
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## **1.0 INTRODUCTION**

- 1.1 The Public Sector Internal Audit Standards require the authority's Audit Committee to approve the audit plan and monitor progress and to receive periodic reports on the work of internal audit. The Audit and Governance Committee approved the Audit Plan on 27 March 2013.
- 1.2 The purpose of this report is to provide members with an update on the progress against the audit plan. The report will also highlight the audit reports issued and recommendations made during the financial year. These progress reports will enable the committee to be updated on current issues and any significant issues can be brought to the attention of the committee.

## **2.0 TERMS OF REFERENCE**

- 2.1 Section 3 of Part 3 of the Constitution sets out the Terms of Reference of the Audit and Governance Committee, as set out at the extract below:  
'To act as the Authority's Audit Committee, to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to be responsible for the financial reporting process'.

## **3.0 PROGRESS AGAINST THE AUDIT PLAN**

- 3.1 A status report for the main and non main systems is documented in Appendix A. All Internal Audit reports are available to members on the intranet, a link is documented in Appendix A. Seven audit reports have been issued and another audit is currently in progress.

## **4.0 PERFORMANCE INDICATORS**

- 4.1 Period 7 performance for Internal Audit against the Team Plan Targets and the Performance Indicators are documented in Appendix B.

## **5.0 INTERNAL AUDIT RECOMMENDATIONS**

- 5.1 There is an agreed Reports and Recommendations procedure as it is important that agreed recommendations are implemented as this helps to secure and strengthen the internal control environment. The council may be exposed to a variety of risks if Internal Audit recommendations are not implemented within the timescales agreed by management. Part of this procedure requires Team Managers to provide Internal Audit with updates on the status of each recommendation on a quarterly basis.
- 5.2 A database of all recommendations and the current status is available to members on the intranet. A highlight report of all outstanding recommendations is attached as Appendix C.

- 5.3 Table A below provides a summary of the status of agreed recommendations including outstanding recommendations brought forward from 2012/13.

**Table A: Implementation of Agreed Recommendations**

	<b>2012/13</b>	<b>2013/14</b>	<b>Total</b>
Implemented	22	6	28
Not Yet Due	1	3	4
Overdue	6	1	7
Recommendation no longer required	1	-	1
<b>Total</b>	<b>30</b>	<b>10</b>	<b>40</b>

There are seven recommendations which have not been implemented by the agreed date. Action is currently in progress for each recommendation and a revised implementation date has been agreed with the officers responsible for implementation.

- 5.4 Further compliance testing is completed for all implemented recommendations to ensure the recommendations have been implemented satisfactorily. Table B shows that follow-up testing revealed that the recommendations have been implemented satisfactorily and testing of the outstanding six recommendations will be completed in November.

**Table B: Follow up Testing of Implemented Recommendations**

	<b>2012/13</b>	<b>2013/14</b>	<b>Total</b>
Testing Satisfactory	17	5	22
Testing Unsatisfactory	0	0	0
Testing Outstanding	5	1	6
<b>Total</b>	<b>22</b>	<b>6</b>	<b>28</b>

## Internal Audit Plan – Progress Report April 2013 – October 2013

Audit	Current Position	Level of Assurance
<b>Main Systems</b>		
Capital Accounting	In Progress	-
Cash and Bank	Final Report Issued	Grade 1
Creditors	Scheduled for Qtr 3	-
Debtors	Scheduled for Qtr 4	-
Main Accounting	Scheduled for Qtr 3	-
Payroll	Scheduled for Qtr 4	-
Rent Accounting	Scheduled for Qtr 4	-
Treasury Management	Scheduled for Qtr 4	-
<b>Non Main Systems</b>		
Car Parking	Final Report Issued	Grade 2
Commercial Rents	Final Report Issued	Grade 1
Development Control	Final Report Issued	Grade 2
Housing Maintenance	Scheduled for Qtr 2	-
ICT Back Up Controls	Scheduled for Qtr 4	-
Licensing	Final Report Issued	Grade 1
Strategic Risk Register	Final Report Issued	Grade 3
Trade Waste	Final Report Issued	Grade 1

Grade	Description
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 all important aspects

Copies of all final reports are available to members on iNET at

<http://workspace.nwldc.gov.uk/Members/Internal%20Audit%20Reports%20and%20Recommendations/Forms/AllItems.aspx>

## INTERNAL AUDIT PERFORMANCE INFORMATION

## Service Plan Actions

Target	Qtr 3 Milestone	Period 7 Outcome	Period 7 Comments
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	Health and Safety Risk Assessment completed on the 13 <sup>th</sup> June 2013 and no actions were required.
Undertake audits as per agreed Audit Plan	Complete audits of 4 systems to enable the completion of the audit plan	In Progress	No audits have yet been completed in Quarter 3.
Provide the Audit Committee with quarterly reports on the work and performance of Internal Audit	Progress report to December Audit Committee	In Progress	Progress Report in progress.
To be compliant with the Public Sector Internal Audit Standards by 31 <sup>st</sup> March 2014	Deliver the improvements as per the agreed action plan.	On Hold	Action plan put on hold by the Head of Finance who is currently reviewing the requirements of the standards and seeking external advice.
Produce the 2012/13 Annual Audit Opinion Report by 30 <sup>th</sup> June 2013	N/A	Achieved	Achieved in Quarter 1.
Produce and have approved the 2014/15 Internal Audit Plan by 31 <sup>st</sup> March 2014	N/A	N/A	N/A

## Performance Indicators

	Qtr 3 Target	Period 7 Actual	Comments
Delivery of Audit Plan - Main Systems	62%	12.5%	The performance indicator for quarter 3 targets may not be achieved, however the target will be achieved for the year.
Delivery of Audit Plan - Non Main Systems	75%	75%	Target for the quarter has been achieved.
Percentage of productive time	75%	66%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	79%	Testing to be completed in November.
Compliance with the Internal Audit Standards	n/a	n/a	
Compliance testing of completed recommendations	90%	100%	

## RECOMMENDATIONS DATABASE – HIGHLIGHT REPORT

Report No: 12/13-1

Report Name: Building Control

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
3	Debts identified by Legal Services as statute barred or uneconomical to pursue should be written off.	High	Agree	August 2012  Revised date: November 2012 March 2013 October 2013 December 2013	Building Control & Land Charges Manager	In Progress/ Overdue

Report No: 12/13-7

Report Name: Main Accounting

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
2	The officer with the responsibility of Systems Administrator for the TASK system should be trained to undertake the role as a matter of urgency.	High	Agree	April 2013  Revised Date: March 2014	Finance Team Manager	In Progress / Overdue

Report No: 12/13-9

Report Name: Sundry Debtors

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
1	The latest version of the TASK sundry debtors system should be tested and implemented as soon as possible on the assumption that there will be improved recovery procedures available to NWLDC.	High	Agree	March 2014	Finance Team Manager & Senior Exchequer Services Officer	In Progress
3	The review of the outstanding older debts should be accelerated and appropriate recovery action should be undertaken or the debt written off if appropriate i.e. statute barred, debtor gone away etc.	High	Agree	September 2013  Revised Date: December 2013	Senior Exchequer Services Officer	In Progress/Overdue

**Report No: 12/13-13****Report Name: Payroll**

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
4	Comprehensive Procedure Notes should be prepared in the absence of adequate User Guides supplied by Selima.	High	Agree	September 2013  Revised Date: December 2013	Senior Exchequer Services Officer & Human Resources Team Manager	In Progress/Overdue
5	The outstanding processes for the activation of the suspense account functionality for payroll costing codes should be completed as soon as possible.	High	Agree	April 2013  Revised date: October 2013 December 2013	Finance Team Manager	In Progress / Overdue
12	A policy should be produced detailing how salary sacrifice payments (car parking, annual leave etc.) will be dealt with during any absence where statutory payments are made.	High	Agree	April 2013  Revised date: September 2013 December 2013	Human Resources Team Manager	No Progress/Overdue

**Report No: 13/14-1****Report Name: Development Control**

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
1	The Development Control procedure notes should be updated to reflect current working practices.	Medium	Agree	June 2013  Revised date: September 2013 November 2013	Planning & Development Team Manager	In Progress/Overdue

**Report No: 13/14-6****Report Name: Risk Management**

Rec No	Recommendation	Priority	Agree/ Disagree	Implementation Date Agreed	Officer(s) Responsible	Status
1	The NWLDC Risk Management Strategy created in 2009 should be reviewed for changes in structure, personnel and the procedures contained therein.	High	Agree	January 2014	Head of Finance as Chair of RMG	In Progress
2	Regular reports should be taken to the Cabinet and Audit Committees to provide assurance that risks are being managed appropriately.	High	Agree	January 2014	Head of Finance as Chair of RMG	In Progress
3	The Corporate Risk Register Action Plan should be generated as set out in the Risk Management Strategy.	High	Agree	January 2014	Head of Finance as Chair of RMG	In Progress

