



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report: May 2015

1. Introduction

- 1.1 The assurances received through the Internal Audit programme is 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 the 31 May 2015.

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 the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 This is achieved through Internal Audit providing 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 2011, 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. There are no impairments to report to senior management and the Audit and Governance Committee for the current financial year.

6 Internal Audit Plan Update

- 6.1 A progress report against the 2015/16 Internal Audit plan is documented in Appendix A. Two audits are at the planning stage. During April and May resources have been utilised to progress three audits from the 2014/15 plan (Payroll, Aids and Adaptations and Performance Management). The Payroll audit took longer than planned due to the need to perform additional testing and problems with the system. It is unlikely that the Quarter 1 target to complete six audits will be achieved.
- 6.2 No final audit reports were issued from 1 March 2015 to 31 May 2015. The Payroll and Aids and Adaptations audit have reached the report drafting stage. The results will be reported to the September Audit and Governance Committee.
- 6.3 The Internal Audit plan needs to be flexible in order to reflect current issues and resource requirements. There have been a number of changes to the Internal Audit plan approved in March 2015 and details are documented in the 'comments' column in Appendix A.

7 Internal Audit Recommendations

- 7.1 Internal Audit monitors and follows up all medium and high risk recommendations. Appendix B lists all overdue recommendations along with a status update. Although the target dates have not been met, Internal Audit are satisfied that in the majority of cases reasonable progress had been made. Where progress had stalled, follow up work by Internal Audit has brought this to the attention of Heads of Service and they are now addressing this.
- 7.2 All outstanding recommendations i.e. those not yet due, are included in Appendix C 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.

9 Public Sector Internal Audit Standards (PSIAS) Action Plan Update

- 9.1 In April 2015 CIPFA carried out an external assessment of the Internal Audit Shared Service. The report and associated action plan are being presented to this Audit and Governance Committee via a separate report. The assessor did not identify any major areas of non-compliance and has made some minor recommendations that will help us to achieve an appropriate level of compliance for an Internal Audit function of our size.

10 Risk Management Update

- 10.1 The updated Corporate Risk Register is attached at Appendix E. The Council's Risk Management Scrutiny Group reviewed this and recommended only minor changes which the Corporate Management Team agreed at its meeting on 28 April 2015. The review included consideration of the Community Risk Register which the Leicestershire Local Resilience Forum oversees and the Council's own Service Risk Registers. Whilst no new risks were added to the Register an emerging risk relating to the storage of data was identified. This risk is currently being evaluated and may be added when the register is updated for Q1 of 2015/16 and reported to Cabinet in July 2015. An update on the Council's corporate risks was included in the Quarter 4 Performance Monitoring report for Cabinet on 16 June 2015.

2015/16 Audit Plan Progress: May 2015 (In-house Audit Team Audits)

Audit Area	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Cash and Bank	Key Financial System	6	-	Scheduled for Quarter 2						
Creditors	Key Financial System	8	-	Scheduled for Quarter 4						
Debtors	Key Financial System	8	-	Scheduled for Quarter 4						
Main Accounting	Key Financial System	8	-	Scheduled for Quarter 4						
Payroll	Key Financial System	8	-	Scheduled for Quarter 4						
Rent Accounting	Key Financial System	8	-	Scheduled for Quarter 2						
Treasury Management	Key Financial System	6	-	Scheduled for Quarter 1						
ICT Security	Key Financial System	5	-	Scheduled for Quarter 2						This work will take the form of following up recommendations from the LCC 2014/15 audit.
Risk Management	Assurance	5	-	Scheduled for Quarter 3						
Governance and Ethics – New Members	Assurance	10	-	Scheduled for Quarter 2						
Performance Management	Assurance	6	-	Scheduled for Quarter 3						
Fraud	Assurance	6	-	Scheduled for Quarter 2						
Information Sharing and Data Protection	Risk Based	8	-	Scheduled for Quarter 2						
Housing - Other Capital Works/Non DHIP	Risk Based	8	-	Scheduled for Quarter 1						
Responsive Housing Repairs & Voids	Risk Based	8	-	Scheduled for Quarter 2						Move to quarter 3 or 4 to allow new ways of working to embed.
Safeguarding	Risk Based	5	-	Scheduled for Quarter 1						
Disabled Facilities Grants	Risk Based	5	0.5	Engagement Planning						
Leisure Centres	Risk Based	6	0.5	Engagement Planning						
Building Control	Risk Based	6	-	Scheduled for Quarter 1						
Expenses/mileage claims	Risk Based	5	-	Scheduled for Quarter 3						
Green & Decent	Risk Based	5	-	Scheduled for Quarter 2						Move to quarter 3 or 4 to allow robustness of results to be considered as part of the audit.
DHIP	Risk Based	5	-	Scheduled for Quarter 2						

KEY

Assurance Levels:

Grade 1	Internal Controls are adequate in all important aspects
Grade 2	Internal Controls require improvement in some areas
Grade 3	Internal Controls require significant improvement
Grade 4	Internal Controls are inadequate in all important aspects

Recommendations:

H	High Priority
M	Medium Priority
L	Low Priority
A	Advisory

Recommendations Tracker – Overdue Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2014/15 Reports								
1	Planned Maintenance	2	The workload of the Repairs Client Team Leader should be reviewed by management and appropriate measures considered and implemented.	High	Repairs & Investments Team Manager	October 2014 Revised date: March 2015 May 2015	OVERDUE In Progress	The target date for this action should be moved to the end of May 2015 to accommodate the views of the incoming Team Manager.
6	Fraud Prevention and Detection	1	All Members and staff should be circulated with information detailing their responsibilities regarding fraud prevention and detection and provided with clear links to the Anti-Fraud and Corruption Strategy and the Confidential Reporting (Whistle-blowing) Policy.	High	Head of Finance / Head of Legal and Support Services	December 2014 Revised Date: March 2015 May 2015	OVERDUE In progress	The Legal Services Team Manager is using examples from other Councils to create the basic NWLDC versions of the various policies that are then customised by one of the support staff ready to load into Learning Pool. The Confidential Reporting (Whistle-blowing) Policy has been updated by Legal Services and taken to the Audit & Governance Committee. It is being taken to Cabinet on 16th June 2015. The Anti-Fraud and Corruption Strategy has been checked by the Legal Services Team Manager and is now being customised as a NWLDC document.

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
6	Fraud Prevention and Detection	4	All new staff and Members should be made aware of their fraud prevention and detection responsibilities with training as appropriate as part of their induction programme.	Medium	Head of Legal and Support Services/Head of Finance/Human Resources Team Manager	December 2014 Revised Date: March 2015 June 2015	OVERDUE In progress	Democratic Services and HR to be consulted re rolling out of e-learning tool.
7	Governance and Ethics	2	Governance and Ethics awareness training should be provided to all relevant officers.	Medium	Legal Services Team Manager	March 2015 Revised Date: June 2015	OVERDUE In progress	Training with be delivered via the Learning Pool (as with fraud awareness).
9	Rent accounting	2	The Income and Systems Officer should monitor all accounts in credit on a quarterly basis, and report any accounts that have been written off and subsequent payments have been made to the Housing Management department to enable recovery action to recommence.	Medium	Income and Systems Officer	January 2015 Revised Date: March 2015	OVERDUE In progress Internal Audit follow up found that the report was produced by the Income and Systems Officer, however it has not been reviewed by Housing Management. This has been brought to the attention of the Head of Housing and is now being progressed.	This is now being progressed by the Housing Management Team Manager.

Recommendations Tracker – Outstanding Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2014/15 Reports								
6	Fraud Prevention and Detection	2	Members (in particular, the Audit and Governance Committee) should be provided with training to ensure they can effectively consider the effectiveness of the Authority's Anti-Fraud and Corruption Arrangements.	Medium	Head of Finance	June 2015		
6	Fraud Prevention and Detection	9	Details regarding the management of fraud risks and any identified incidences of fraud should be included within the Council's Annual Governance Statement.	Medium	Head of Finance	September 2015		

Internal Audit Performance: May 2015

Performance Measures:

Performance Measure	2015/16 Qtr 1 Target	Position as at 31.05.15	Comments
Delivery of 2015/16 Audit Plan – Key Financial Systems	0%	0%	
Delivery of 2015/16 Audit Plan – Non Key Financial Systems	40%	0%	Two audits are at engagement planning stage. Resources required in April and May to complete 2014/15 audits.
Percentage of time spent on audit work	80%	86%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	These results are from surveys completed during 2014/15 (Feb 2015 last response). No surveys sent out during 2015/16 yet.
Compliance with the Internal Audit Standards	Full	No significant gaps in compliance	See section 9 for more information.
Compliance testing of completed recommendations	90%	100%	

Service Plan Actions:

Key Deliverables (Action)	Quarter 1 Milestone	Position as at 31.05.15
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	On target – no actions. Review due September 2015.
Undertake audits as per agreed Audit Plan.	Complete audits of 6 systems to enable the completion of the audit plan	Failing. Resources have been taken up during April and May performing outstanding 2014/15 audits. This means that it is unlikely that 6 2015/16 audits will be completed in Quarter 1. The Senior Auditor is monitoring the situation closely to see whether temporary additional resources will be required to deliver the 2015/16 plan. At this stage it is not considered necessary.
Provide the Audit and Governance Committee with quarterly reports on the work and performance of internal audit.	Progress report to June Audit and Governance Committee	On target
Achievement of the PSAIS	External assessment of compliance with PSIAS	On target
Produce the 2014/15 Annual Audit Opinion Report by 30 th June 2015.	Prepare Annual Report for presentation to June Audit and Governance Committee.	On target – separate agenda item to this Audit and Governance Committee
Produce and have approved the 2016/17 Internal Audit Plan by 31 st March 2016.	No action	-
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Corporate Risk Register							
Risk Area	Inherent Risk			Control Measures	Residual Risk		
	Impact	Likelihood	Rating		Impact	Likelihood	Rating
Finance & Budget	4	4	16	Monthly management reviews are performed of actual against budgets and forecast to the end of the year. Monthly reporting and challenging at CLT, and reported to Cabinet quarterly Sound policies and procedures are in place. Planning for the Future has been documented and is reviewed regularly. Internal and External audit of systems and accounts.	4	1	4
Resource Capacity & Capability	4	4	16	Advance planning will mitigate this risk; however should it occur diverting resources from other services, bringing in additional resources from other sources (e.g. Agencies, Consultants, Voluntary/Community sector etc.) would be activated. Market conditions are tested through recruitment processes. The Council offers a package of additional benefits to enhance the recruitment offer. Linked to the above, the Council has developed innovative partnering relationships with other sectors including the private sector to make posts uniquely attractive. Best Employee Experience is a programme to attract and develop the right skills. It is a programme developing the talent within the staff resource through secondments and tailored development programmes.	2	2	4
Contract Management & Procurement	4	4	16	Corporate procurement staff and legal team to support where necessary on contract management. Policies and procedures are in place. Procurement Gateway Board oversees a procurement planning process. Training	3	2	6

				programme in place for staff.			
Information Governance & Data Protection	4	4	16	Policies and procedures are in place. Corporate Governance training is undertaken annually and includes information governance as appropriate to reflect changes in legislation. The Council has a dedicated SIRO. Corporate Governance Groups are in place to scrutinise impacts/issues arising.	4	1	4
Emergency Planning & Business Continuity arrangements	4	4	16	Business continuity plans have been documented, policies and procedures are in place, initial continuity plans are in place to allow access to the service through alternative mechanisms (Hermitage Leisure Centre)	4	1	4
Effective IT Systems & Procedures	4	4	16	Fully resilient environment in place with no single points of failure for core systems, other critical systems use cold standby equipment. New business services are being run in remote fully resilient data centres and existing systems are being progressively migrated to these cloud computing centres. Data is backed up to a second disk unit offsite at Hermitage Leisure Centre. Improved business recovery arrangements have been implemented to minimise recovery time.	3	2	6
Project & Programme Management	4	4	16	Progress is shared with regularly with CLT, experienced PRINCE 2 staff, transformation programme is continually reassessing its objectives	3	2	6
Governance, Policies & Procedures	4	4	16	Policies & procedures in place, governance processes are documented and in operation, ongoing assessments and reviews are performed.	4	1	4

Assessing the likelihood of a risk:

1 Low	Likely to occur once in every ten years or more
2 Medium	Likely to occur once in every two to three years
3 High	Likely to occur once a year
4 Very high	Likely to occur at least twice in a year

Assessing the impact of a risk:

1 Low	<p>Loss of a service for up to one day,</p> <p>Objectives of individuals are not met</p> <p>No injuries</p> <p>Financial loss below £10,000</p> <p>No media attention</p> <p>No breaches in council working practices</p> <p>No complaints/litigation</p>
2 Medium	<p>Loss of a service for up to one week</p> <p>Service objectives of a service unit are not met</p> <p>Injury to an employee or member of the public requiring medical treatment</p> <p>Financial loss over £10,000</p> <p>Adverse regional or local media attention – televised or news paper report</p>

	High potential for a complaint litigation possible Breaches of regulations/standards
3 High	Loss of a service for one week or more Service objectives of the directorate are not met Non- statutory duties are not achieved Permanent injury to an employee or member of the public Financial loss over £100,000 Adverse national or regional media attention – national news paper report Litigation to be expected Breaches of law punishable by fine
4 Very high	An incident so severe in its effects that a service or project will be unavailable permanently Strategic priorities are not met Statutory duties are not achieved Death of an employee or member of the public Financial loss over £1m. Adverse national media attention – national televised news report Litigation almost certain and difficult to defend Breaches of law punishable by imprisonment

