



INTERNAL AUDIT SHARED SERVICE

North West Leicestershire District Council
Internal Audit Progress Report: August 2016

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 Internal Audit plan up to 31 August 2016.

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 of the control environment, and therefore contribute to the achievement of the organisation's objectives.
- 2.2 Internal Audit provides 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 2015, 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.

6 Internal Audit Plan Update

- 6.1 A progress report against the 2016/17 Internal Audit plan is documented in Appendix A. The Internal Audit plan needs to be flexible in order to respond to current risks and resource requirements. There have been a small number of changes to the Internal Audit plan approved in March 2016 and details are documented in the 'comments' column in Appendix A.
- 6.2 Four final reports have been issued since the last update report and one audit is in progress. The executive summaries for these reports are included in Appendix B. The Senior Auditor does not consider it necessary to draw attention to any specific control weaknesses at this time.
- 6.3 An additional piece of work has been undertaken in July 2016 to enable the Senior Auditor to sign off the Disabled Facilities Grant Determination as required by DCLG to confirm that the grant conditions have been met. Blaby DC processes Disabled Facilities Grants on behalf of North West Leicestershire DC (NWLDC) as part of a pilot scheme for the Lightbulb Project. Testing provided sufficient assurance that the required grant conditions had been fulfilled; however a number of procedural and processing issues were identified. The findings have been reported to senior management with an action plan to implement our recommendations. A full audit will be carried out in quarter 4, the results of which will be reported to Audit and Governance Committee.
- 6.4 Internal Audit is taking the following approach to gaining assurance that risks associated with ICT developments are being effectively managed:
- independent review of the ICT Roadmap by an appropriately qualified ICT audit specialist with feedback provided to the ICT Manager, Senior Auditor and Interim Director of Resources;
 - a full key ICT controls audit was included in the 2016/17 annual audit plan and is scheduled for Q3. The findings will be fed back to Audit and Governance Committee as part of the Internal Audit Progress Reports;
 - the Senior Auditor is maintaining an overview of the developments and will provide challenge/advice where appropriate. In line with the PSIAS the Senior Auditor will obtain competent advice and assistance where the necessary skills and knowledge are not available in house; and
 - any concerns that risks are not being effectively managed will be brought to the attention of the Audit and Governance Committee

7 Internal Audit Recommendations

- 7.1 Internal Audit monitors and follows up all high and medium priority recommendations. Appendix C lists overdue recommendations along with a status update. There is only one overdue recommendation and Internal Audit is satisfied that reasonable progress has been made so far.

- 7.2 All outstanding high and medium priority recommendations i.e. those not yet due, are included in Appendix D 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 E.

2016/17 AUDIT PLAN PROGRESS: AUGUST 2016

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
Cash and Bank	Key Financial System	6	-	Schedule for Q4						
Creditors	Key Financial System	6	-	Schedule for Q4						
Sundry Debtors	Key Financial System	6	-	Scheduled for Q4						
HR and Payroll	Key Financial System	10	-	Scheduled for Q3						
Main Accounting	Key Financial System	5	-	Scheduled for Q4						
Rent Accounting	Key Financial System	6	-	Scheduled for Q2						
Treasury Management (4)	Key Financial System	4	5	Final Report	Grade 1	-	-	-	-	
ICT Key Controls	Key Financial System	-	-	Scheduled for Q3						This audit will be undertaken by ICT audit specialists.
Car parking and enforcement	Risk Based	7	-	Scheduled for Q2						
Enterprising NWLDC Grants (1)	Risk Based	4	7	Final Report	Grade 2	3	3	-	2	Actual days greater than planned due to broader scope.
Solid Fuel Servicing and Maintenance Contract and Gas Servicing and Maintenance Contract	Risk Based	10	-	Scheduled for Q3/Q4						Clarified audit area.
Housing Management - Mobile Working	Risk Based	7	5	In progress						
Housing – In House Repairs Service	Risk Based	10	-	Scheduled for Q4						
Planning Enforcement	Risk Based	7	-	Put on 2017/18 plan						IA resources required for additional audits.
Section 106	Risk Based	10	-	Scheduled for Q3/Q4						
Trade Refuse and Recycling (2)	Risk Based	10	7	Final Report	Grade 1	-	1	1	-	
Leicestershire Welfare Provision (3)	Risk Based	3	4	Final Report	Grade 1	-	1	-	-	
Anti Fraud and Corruption Arrangements	Additional Risk Based	6*	-	Scheduled for Q3						The Senior Auditor is aware of some changes to arrangements therefore an audit is

Audit Area (report number)	Type	Planned Days	Actual Days	Status	Assurance Level	Recommendations				Comments
						H	M	L	A	
										required.
Asset Management System	Additional Risk Based	5*	-	Scheduled for Q3						Required to get assurance that system work has been effective in rectifying prior issues.
Disabled Facilities Grant Determination	Additional Risk Based	3*	6	Grant report issued to senior management						Work required to enable Senior Auditor to sign off DCLG determination. Findings reported to Senior Management.
Disabled Facilities Grants	Additional Risk Based	5*	-	Scheduled for Q4						Audit added by Senior Auditor in light of findings during work undertaken to sign off DCLG Determination.
Asset Performance Calculator – NPV	Advisory	4	0.5	As required						
CCTV	Advisory	4	-	Scheduled for Q4						
Coalville Project	Advisory	5	0.5	As required						
New financial systems	Advisory	5	1	As required						

*Planned days not included in original audit plan approved in March 2016 as they are additional audits.

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 Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
M	Medium Priority Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
L	Low Priority Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
A	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 BETWEEN JUNE 2016 AND AUGUST 2016

Report	Portfolio Holder	Head of Service & Team Manager	Assurance Level	Areas for Improvement	Recommendations			
					H	M	L	A
2016/17 Audits								
1 – Enterprising NWL Grants	Business Portfolio Holder	Head of Economic Development Business Focus Team Manager	Grade 2	Strengthening of the due diligence process prior to payment of grant. The approach to panel selection to ensure consistency and independence in the decision making process. Clarity of grant offer terms and conditions. Obtaining explicit consent to the sharing of application information with panel members.	3	3	-	2
2 – Refuse and Recycling	Community Services Portfolio Holder	Head of Community Services Waste Services Team Manager	Grade 1	To implement tighter stock controls of trade waste sacks.	-	1	1	-
3 – Leicestershire Welfare Provision	Housing Portfolio Holder	Director of Housing Strategic Housing Team Manager	Grade 1	To reconcile the return to Leicestershire County Council (LCC) to the processed applications.	-	1	-	-
4 – Treasury Management	Corporate Portfolio Holder	Director of Resources Financial Planning Manager	Grade 1	None identified.	-	-	-	-

See Appendix A for Key.

Appendix C

Recommendations Tracker – Overdue Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Status	Management Comments
2015/16 Reports								
11	Safeguarding	5	Review and update the DBS policy in order to meet the Code of Practice requirements.	Medium	Senior HR Adviser	Feb 2016	In progress	New policy has been drafted.

Recommendations Tracker – Outstanding High and Medium Recommendations

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
2015/16 Reports							
11	Safeguarding	2	Attendance at training events and completion of mandatory training modules should be monitored. Non attendance or non completion should be followed up so that alternative arrangements can be made as necessary.	Medium	Senior HR Adviser (L1) Designated Safeguarding Officers (DSO) Group (L2-9)	September 2016	Testing scheduled October 2016
13	ICT User Accounts	3	The ICT Team Manager should ensure that all leaver notification emails from HR are acted upon.	High	ICT Team Manager	August 2016	Testing scheduled September 2016
14	HR and Payroll	1	The monthly process for collecting and collating paper overtime forms and timesheet spreadsheets from across the Council to send to the payroll provider should be documented.	Medium	Exchequer Services Assistant	June 2016	Testing scheduled September 2016
		2	Following confirmation from the payroll provider as to their application of the automatic enrolment rules, consideration should be given as to what action should be taken for existing employees who may be affected.	Medium	HR Manager	August 2016	Testing scheduled September 2016
		3	HR should confirm that all key elements of a starter's first payslip have been set up correctly, including pension contribution rates if applicable.	High	HR Manager	Immediate	Testing scheduled September 2016
		4	HR should confirm with the payroll provider the method that they should be using to calculate outstanding holiday pay due for all leavers.	High	HR Manager	Immediate	Testing scheduled September 2016
		5	HR and Exchequer Services should confirm that all key elements of a leaver's final payslip have been calculated correctly and	High	HR Manager and Financial Services Team Manager	Immediate	Testing scheduled September 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			processed using the correct element code.				
		6	When an employee starts to receive maternity benefits HR should check whether essential car allowance is also in payment and make the appropriate adjustment to avoid an overpayment.	High	HR Manager	Immediate	Testing scheduled September 2016
		7	Consideration should be given as to what action should be taken with regards to recent maternity overpayments i.e. whether they should be recovered.	Medium	HR Manager	June 2016	Testing scheduled September 2016
15	Sundry Debtors	1	Invoices that have been at the investigation stage for some time (including those relating to previous years) should be reviewed and prioritised so that appropriate action taken.	Medium	Senior Exchequer Services Officer	September 2016	Testing scheduled for October 2016
2016/17 Reports							
1	Enterprising NWL Grants	2	Ensure that all necessary information is verified prior to grant payment.	High	Head of Economic Development	Immediate	Implemented
		3	Review the panel arrangements to apply a set number of panel members and ensure that all key decisions are recorded and retained on file. Consideration should be given to using a NWLDC representative from outside of the Business Focus Team to improve the independence of the decision making process.	Medium	Head of Economic Development	Immediate	Implemented
		4	Offer letters should clearly reflect the specific terms and conditions of the grant awarded.	High	Head of Economic Development	Immediate	Implemented
		5	Ensure that information recorded on Pipeline is accurate and agrees to relevant documents such as EOIs and grant offers.	Medium	Head of Economic Development	Immediate	Implemented
		6	Set up an effective monitoring system to ensure adherence to terms and conditions of the grant.	Medium	Head of Economic Development	Immediate	Implemented
		7	Applicants who are currently awaiting panel should be contacted so that their consent can be obtained prior to sharing the information with the panel members.	High	Head of Economic Development	Immediate	Implemented
2	Refuse and Recycling	2	Introduce a stock control system for trade waste sacks so that the number remaining	Medium	Waste Services Support Supervisor	September 2016	Testing scheduled for October 2016

Report		Recommendation		Rating	Officer Responsible	Target Date	Senior Auditor Comments
			can be reconciled to sales.				
3	Leicestershire Welfare Provision	1	All processed applications are reconciled against the spreadsheet to ensure all information is correct prior to submission to LCC.	Medium	Housing Choices Team Leader	Immediate	Testing scheduled for October 2016

Internal Audit Performance: August 2016

Performance Measures:

Performance Measure	2016/17 Quarter 2 Target	Position as at 31.08.16	Comments
Delivery of 2016/17 Audit Plan	40%	28%	
Percentage of time spent on audit work	80%	88%	
Percentage of Client Satisfaction with the Internal Audit Service	100%	100%	Four responses to survey sent in July (after Q1) all very positive.
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 2 Milestone	Position as at 31.08.16
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 carried out in May 2016. No actions necessary.
Undertake audits as per agreed Audit Plan.	Complete 40% of audit plan.	On track.
Provide the Audit and Governance Committee with quarterly reports on the work and performance of internal audit.	Progress report to September Audit and Governance Committee	On track.
Achievement of the PSAIS	Internal review of effectiveness of Internal Audit reported to June A&GC.	On track. Action plan produced as part of review against April 2016 PSIAS and is being progressed by Senior Auditor and Director of Resources.
Annual Audit Opinion delivered by 30 th June 2016 deadline.	Not applicable.	Achieved.
Risk based annual audit plan for 2017/18 approved by 31 March 2017.	No action.	On track. Senior Auditor updates risk assessment throughout the year as new risks emerge.