Report of the: Director of Policy and   Agenda
                   Resources   Item No: 8
                                                    Meeting: 22 January 2015

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PROGRESS REPORT

1.   **OBJECT AND KEY POINTS IN THIS REPORT**

     1.1   The Internal Audit Section delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the council.

     1.2   This work culminates in the Internal Audit's Annual Report that is used to inform the Annual Governance Statement. This report summarises key issues arising from work undertaken in the 2014/15 audit plan year.

2.   **BACKGROUND INFORMATION**

     2014/15 Audit Plan Progress

   2.1   An effective Internal Audit Service, and the delivery of the audit plan, is a key aspect in obtaining assurance that a reliable control environment is in place. Completion of the Internal Audit Plan is monitored and reported regularly to this Committee. The latest position is provided in appendix A. Although some additional audits were required during the year due to emerging risks, there were other planned audits which were delayed or no longer required in 2014/15 due to unavailability of key staff, assurances provided from other sources or revised implementation dates of key changes to the control environment. However overall there is still adequate plan cover to ensure there will be a sufficient level of completed planned work to provide an opinion on the adequacy of the control environment.

     Significant Audit Findings

   2.2   Generally internal control arrangements are assessed as providing an adequate level of assurance. Since April 2014 there have been no reports issued that highlighted control weaknesses and an overall assessment of no assurance.

2.3 The Committee has received updates on audit work relating to adult income systems and procedures. Follow up work shows some progress has been made to implement agreed actions. However implementation plan slippage has resulted in limited assurance evaluation remaining overall.

2.4 Internal controls in two other significant systems are assessed as providing limited assurance; these are:

Integrated impact assessments (IIA) – this review highlighted some improvements necessary to the IIA framework. However the main areas for improvement related to implementation and compliance with the framework to ensure and evidence that IIAs are completed appropriately. Members of the Council Management Team have been asked to remind their managers of the importance and necessity of completing IIAs. Other action such as amendments to the framework, re-launch of training, monitoring and submission of IIAs with appropriate decision-making reports have been agreed and will be followed up to ensure implementation.

Commissioning (Housing Related Support) - this audit was carried out following a 'near miss' £28k duplicate payment identified and stopped by payments staff. The review found payments were not always supported by service contracts, inadequate validation of payments made, failure to review entitlement to HRS subsidised services or client contribution levels and poor budgetary control arrangements. Follow up work is planned for January/ February.

Unplanned work

2.5 Requests for unforeseen and irregularity work continue to be received and met from the allocation set aside in the 2014/15 Audit Plan. Investigations have risen by 17% compared to last year. Further details are provided in the counter fraud policies and standards report elsewhere on this agenda.

Future of Local Audit - Consultation on secondary legislation: summary of responses and the Government Response

2.6 On 30 January 2014, the Local Audit and Accountability Act 2014 (The 2014 Act) received Royal Assent. To give effect to many of the provisions contained in the Act, secondary legislation is required. In June 2014, the Government launched the Local Audit: Consultation. The purpose of the consultation was to gauge the views of organisations affected by these changes and other interested parties on the draft regulations. The consultation closed on 18 July 2014. The government is minded to keep proposals to bring forward the finalisation and audit of the accounts. However the government's full response to the consultation can be accessed via the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/383694/Future_of_Local_Audit_Consultation_Summary_and_Response.pdf

Shared Service Development

2.7 In July Cabinet endorsed further development work associated with the potential establishment of shared back office services with North East Lincolnshire Council. The development of a joint internal audit team is being considered to achieve service outcomes such as resilience, efficiency and high service standards.

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether or not the report provides sufficient assurance on the adequacy of internal control arrangements. The Committee is invited to consider the report and seek clarification on its contents as necessary.

4. ANALYSIS OF OPTIONS

4.1. The progress report provides the Committee with an update on key internal control issues. It complies with professional guidance and is designed to provide the Committee with the assurance required to fulfil its role effectively.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1. There are no additional resource implications however regular reviews of internal control help safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1. An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1. Consultation takes place with Directors and key staff at all stages of audit work and comments made are incorporated wherever possible.

7.2 There are no conflicts of interests to declare.

8.   RECOMMENDATION

8.1. That the Audit Committee consider the level of assurance provided by this
      report on the adequacy of internal control arrangements.

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Background Papers used in the preparation of this report:
Nil

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	**Unplanned**	**Deferred**
Fundamental Financial Systems	• All 2013/14 fundamental audits completed (see Asset Management) • Payroll (2014-15 in progress) • Creditors (2014-15 in progress) • Debtors (2014-15 in progress) • Income Receipting (2014-15 in progress) • Main Accounting Ledger (2014-15 in progress) • Housing Benefits and Local Taxation audits being completed jointly with NELC (NLC leading on Local Taxation NELC leading on Benefits) • Treasury Management • Asset Management (2013/14 - in progress) • CareFirst (2014-15 in progress) • Benefits Subsidy testing (completed)		
Annual Governance Statement	• In year monitoring and compilation of the Statement		
Corporate management	• Preparing reports and Audit Committee attendance		
Corporate Governance	• In year monitoring and advice. Evaluation of council arrangements against best practice standards (2013/14 completed). Revision of the council's Code of Corporate Governance		
Risk Management	• In year monitoring and advice. Risk Management Group work. Annual review of risk management arrangements, strategic and key operational controls (2013/14 completed).		

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	**Unplanned**	**Deferred**
IT Audit	- IT Charging Policy 2013/14 (completed) - Change Control - Network Management and Control - Disaster Recovery and Business Continuity follow up - Physical and Environmental Controls (in progress) - Operating Systems - PC and Laptop Security (draft report) - Public Services Network (ad hoc)	Security of mobile devices follow up IT Project management follow up	
Contract Audit	- Commissioning – Public Health (in progress) - Commissioning – Dynamic Purchasing System (draft report) - Commissioning – CCTV system (draft report) - Compliance with Procurement Framework		
Fraud Prevention and Detection	- Responding to cases received via Whistleblowers Hotline and email (on going) - Publicity/ training/ updating the counter fraud strategy (ongoing) - Income audits – Leisure Health and Fitness Membership (completed), Golf Clubs (completed), Markets (completed), Bereavement Services (completed) - Data Matching - NFI/IDEA (2012/14 completed 2014/16 started with data uploaded)	Procurement fraud review of expenditure 2013/14 (completed) Risk assessment reviews of bribery and money laundering risks (completed)	

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	**Unplanned**	**Deferred**
Council-wide Systems	• Budgetary Control Capital 2013/14 (completed) • Self Service Portal 2013/14 (in progress) • Payment Card Industry – Data Security Standard 2013/14 (in progress) • Income and Corporate Charging Policy 2013/14 (completed) • Public Health Responsibilities – National Child Measurement Programme 2013/14 (completed), Outcomes Fund (in progress), Grant Compliance (completed) • Performance Management (in progress) • Data Quality • Partnerships • Grant claims • Information Governance – Records Management (in progress) • Integrated Impact Assessments (completed)		
People – Adult Services	• Assessment of Care 2013/14 (completed) • External Residential Care 2013/14 (completed) • Effectiveness of Rehabilitation and Reablement (CST and Lilacs) (draft report) • Preloaded Cards -personal budgets (in progress) • Adult Income Issues (draft report)	Adult Budget issues 2013/14 (completed) Deferred Payments onto Carefirst (in progress)	• Receiverships • Homecare Commissioning – Community Support 4 You
People – Specialist	• Allegation Management Policy 2013/14 (complete) • Children in Care – Adoption Consortium & Fostering Allowances (completed) • Staff led Social Enterprise Accommodation Support (in progress)	• Fostering Reform Grant (completed) • Section 17 follow up (completed) • Fostering payments follow up (completed)	
People – School Improvement	• Issues from School Audits (2013/14 completed) • Schools audits (in progress) • Specialist Learning • Music Support Services • Issues from school audits (2014/15 in progress)	• St Barnabas at the request of the Head (completed) • East Halton at the request of the Head	• High Needs Education

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	Unplanned	Deferred
People – Commissioning and Localities	• Budgetary Control 2013/14 (completed) • Maintenance of School Buildings 2013/14 (completed) • Integrated Youth Support (Grants) 2013/14 (completed) • Personal Budget Calculation (in progress) • Early Years • Service to Schools (in progress)	• Commissioning Housing Related Support (previously known as Supporting People) 2013/14 (completed) • Capita 1 & SIMS follow up	
Policy & Resources - Finance	• Welfare Reforms 2013/14 (completed) • CT discounts/ NNDR reliefs and appeals - budget implications 2013/14 (completed) • Pensions Assurance (completed) • Finance Manual (in progress) • Taxation (complete) • Debit cards / Imprest Accounts (completed) • Insurance (in progress) • Timesheets	• Exemptions from e-procurement orders 2013/14 (completed) • New Payroll System (in progress) • Replacement BACS system (in progress • Click Travel (completed)	
Policy & Resources - Human Resources	• Sickness Policy • Working Time Directive & Flexible Working (in progress) • Compensation for Termination of Employment • Re-deployment Policy (in progress) • Driver Document Checks (completed)		
Policy & Resources - Legal Services	• VCS Funding 2013/14 (completed) • Democratic Services – Standards Arrangements (completed) • Legal Services – Compliance with Public Law Outline • Community Engagement and Consultation		
Policy and Resources – Business Support	• Commercialism		
Places - General	• Budgetary Control (in progress)		

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	**Unplanned**	**Deferred**
Places – Customer Services	• Contract Management – Leisure (completed) • Transfer of facilities to Community Management (in progress) • Duty of Care (draft report) • Customer Services – Local Links (completed)	• TLMS follow up (in progress)	
Places – Technical & Environment	• Countryside Stewardship 2013/14 (completed) • Homelessness 2013/14 (draft report) • Disabled Facilities Grants • Licensing – Alcohol & Entertainments (completed) • Handyman Service (completed) • Safer Neighbourhoods Partnership (completed)		
Places – Planning and Regeneration	• BDUK Project (ongoing) • Regional Growth Fund (in progress) • Vacant Land & Property (in progress) • South Humber Bank • Leader Programme (draft report) • Humber University Technical College (watching brief) • Development Control (completed)		
Places- Community Services	• Highways Alliance – Closure (in progress) • Grant Certification – Bus Operators Grant (completed), Local Transport Capital Block / Additional Highways Funding (completed) • Universal Infant Free School Meals (draft report)	• Traffic Income Procedures (completed) • CIC/CIN Transport follow up (completed)	

In addition to the above resources were deployed on : • Advice /irregularity work • Follow up work • Audit plan performance monitoring and reporting	