

Report of the: Director of Policy and
Resources

Agenda
Item No: 7
Meeting: 14 April 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 no longer required in 2014/15 due to the lessening of the risk or changes in implementation dates of key changes to the control environment. However there is adequate plan cover overall to ensure there will be a sufficient level of completed planned work to provide an opinion on the adequacy of the control environment.

2015/16 Audit Plan

- 2.2 Audit planning meetings with Directors/Assistant Directors have taken place and useful discussions with the council's external auditors KPMG have helped to develop the plan for 2015/16 and ensure reliance on internal audit's work continues to be maximised. The draft audit plan is presented elsewhere on this agenda for Members to consider.

Significant Audit Findings – 2014/15 Audit Plan

- 2.3 Audits of fundamental financial systems, risk management and corporate governance are nearing completion and the outcome will be reported in Internal Audit's Annual Report in June 2015.
- 2.4 The outcome of audit work is reported at each meeting of this Committee. Since the last report in January, there been no reports issued that highlighted control weaknesses and an overall assessment of no assurance.

Unplanned work

- 2.5 Requests for unforeseen and irregularity work continue to be received and the allocation set aside in the 2014/15 Audit Plan of 185 days has been exceeded (213 days spent). Since April 2014 internal audit has received 23 referrals. These have been investigated by officers within the service or in conjunction with HR colleagues and/or the police. There are no new cases to report since my last report in January. The types of frauds investigated are:
- Inappropriate use of internet and mobile phone during working hours
 - Failure to safeguard assets
 - Cash /income anomalies
 - Flexi/timesheet/mileage claims discrepancies
 - Misuse of council data.

- 2.6 The following table shows the number of referrals received via the whistleblowers' hotline over the last few years.

Year	Referrals received
2010/11	187
2011/12	295
2012/13	297
2013/14	363
2014/15	359

All referrals are either investigated by Internal Audit or information is passed on to the Benefits Fraud Team for investigation. Over £62k Council Tax or Housing Benefits overpayments were referred through the whistleblowers' hotline.

Proactive work

- 2.7 Proactive counter fraud work has included the following income reviews: Leisure Health and Fitness Membership, Golf Clubs, Markets and Bereavement Services. Since our last report the 2014/16 NFI matches have been received (4688). Work has started on these matches and continues on those provided in previous years. The following table shows progress made to date;

Match type/year/status	Value of Matches Verified
Benefits 2012/14 (in progress)	£161k
Creditors 2012/14 (completed)	£4k

Student benefits 2014/15 (in progress)	£16k
Single Residents Discount 2014/15 (in progress)	£27k
Creditors 2014/16 (in progress)	£8k

Accounts and Audit Regulations 2015

- 2.8 The new regulations for English local authorities (including police and fire bodies) have been published. They come into force from 1 April 2015 for the accounting year 2015/16. The new regulations recognise the need to follow public sector internal audit standards and also remove the need for a separate review of the effectiveness of internal audit. The regulations make changes to the publication of the accounts and annual governance statement. These, together with a narrative statement on the use of resources should be published by 31 July. The audit opinion should also be published by this date or 'as soon as reasonably practicable'. This date applies from 2017/18 – until then the date remains as 30 September.

Corporate Governance Framework

- 2.9 CIPFA is reviewing the Framework in 2015 to ensure that it remains 'fit for purpose' and will also be developing a revised guidance note. CIPFA is inviting views to see how the Framework and guidance have been working in practice and to see where further clarification or guidance is required. Consultation closed on 16 March and a response was sent on behalf of the council. The aim is to publish an updated Framework and guidance in late 2015.

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.

DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report: None

Appendix A

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	Unplanned	Deferred
Fundamental Financial Systems	<ul style="list-style-type: none"> • 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 both in progress) • Treasury Management (completed) • Asset Management (2013/14 – draft report) • CareFirst (2014-15 in progress) • Benefits Subsidy testing (completed) 		
Annual Governance Statement	<ul style="list-style-type: none"> • In year monitoring and compilation of the Statement 		
Corporate management	<ul style="list-style-type: none"> • Preparing reports and Audit Committee attendance 		
Corporate Governance	<ul style="list-style-type: none"> • In year monitoring and advice. Evaluation of council arrangements against best practice standards (2014/15 in progress). Revision of the council's Code of Corporate Governance 		
Risk Management	<ul style="list-style-type: none"> • In year monitoring and advice. Risk Management Group work. Annual review of risk management arrangements, strategic and key operational controls (2013/14 & 2014/15 completed). 		

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	Unplanned	Deferred
IT Audit	<ul style="list-style-type: none"> • IT Charging Policy 2013/14 (completed) • Change Control (in progress) • Network Management and Control • Disaster Recovery and Business Continuity follow up (in progress) • Physical and Environmental Controls (completed) • PC and Laptop Security (completed) • Public Services Network (ad hoc) 	Security of mobile devices follow up (in progress) IT Project management follow up (in progress)	<ul style="list-style-type: none"> • Operating Systems (insufficient resources)
Contract Audit	<ul style="list-style-type: none"> • Commissioning – Public Health (completed) • Commissioning – Dynamic Purchasing System (completed) • Commissioning – CCTV system (completed) 		<ul style="list-style-type: none"> • Compliance with Procurement Framework (at client request due to pressure on resources)
Fraud Prevention and Detection	<ul style="list-style-type: none"> • 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 in progress) 	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	<ul style="list-style-type: none"> • Budgetary Control Capital 2013/14 (completed) • Self Service Portal 2013/14 (completed) • 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 (draft report), Grant Compliance (completed) • Performance Management (completed) • Data Quality (in progress) • Partnerships (in progress) • Grant claims (in progress) • Information Governance – Records Management (draft report) • Integrated Impact Assessments (completed) 		
People – Adult Services	<ul style="list-style-type: none"> • Assessment of Care 2013/14 (completed) • External Residential Care 2013/14 (completed) • Effectiveness of Rehabilitation and Re-enablement (CST and Lilacs) (completed) • Preloaded Cards -personal budgets (draft report) • Adult Income Issues (completed for 2014/15) 	<ul style="list-style-type: none"> • Adult Budget issues 2013/14 (completed) • Deferred Payments onto Carefirst (completed) • Learning Disability (draft report) • Commissioning Housing Related Support – Follow up (draft report) 	<ul style="list-style-type: none"> • Receiverships • Homecare Commissioning – Community Support 4 You
People – Specialist	<ul style="list-style-type: none"> • Allegation Management Policy 2013/14 (complete) • Children in Care – Adoption Consortium & Fostering Allowances (completed) • Staff led Social Enterprise Accommodation Support (draft report) 	<ul style="list-style-type: none"> • Fostering Reform Grant (completed) • Section 17 follow up (completed) • Fostering payments follow up (completed) 	
People – School Improvement	<ul style="list-style-type: none"> • Issues from School Audits (2013/14 completed) • Schools audits (2014/15 planned all completed) • Music Support Services (in progress) • Issues from school audits (2014/15 draft report) 	<ul style="list-style-type: none"> • St Barnabas at the request of the Head (completed) • East Halton at the request of the Head (draft report) 	<ul style="list-style-type: none"> • High Needs Education • Specialist Learning

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	Unplanned	Deferred
People – Commissioning and Localities	<ul style="list-style-type: none"> Budgetary Control 2013/14 (completed) Maintenance of School Buildings 2013/14 (completed) Integrated Youth Support (Grants) 2013/14 (completed) Personal Budget Calculation (in progress) Service to Schools (in progress) 	<ul style="list-style-type: none"> Commissioning Housing Related Support (previously known as Supporting People) 2013/14 (completed) Capita 1 & SIMS follow up (draft report) 	<ul style="list-style-type: none"> Early Years
Policy & Resources - Finance	<ul style="list-style-type: none"> 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 (completed) Timesheets (draft report) 	<ul style="list-style-type: none"> Exemptions from e-procurement orders 2013/14 (completed) New Payroll System (in progress) Replacement BACS system (in progress) Click Travel (completed) P&R imprests (completed) 	
Policy & Resources - Human Resources	<ul style="list-style-type: none"> Working Time Directive & Flexible Working (completed) Re-deployment Policy (completed) Driver Document Checks (completed) 		<ul style="list-style-type: none"> Sickness Policy Compensation for Termination of Employment
Policy & Resources - Legal Services	<ul style="list-style-type: none"> VCS Funding 2013/14 (completed) Democratic Services – Standards Arrangements (completed) Legal Services – Compliance with Public Law Outline (in progress) Community Engagement and Consultation (in progress) 		
Policy and Resources – Business Support			<ul style="list-style-type: none"> Commercialism
Places - General	<ul style="list-style-type: none"> Budgetary Control (in progress) 		
Places – Customer Services	<ul style="list-style-type: none"> Contract Management – Leisure (completed) Duty of Care (draft report) Customer Services – Local Links (completed) 	<ul style="list-style-type: none"> TLMS follow up (completed) 	<ul style="list-style-type: none"> Transfer of facilities to Community Management (delays in transfers)

Audit Areas	Audit Reviews Completed During 2014/15		
	Planned	Unplanned	Deferred
Places – Technical & Environment	<ul style="list-style-type: none"> • Countryside Stewardship 2013/14 (completed) • Homelessness 2013/14 (completed) • Disabled Facilities Grants (in progress) • Licensing – Alcohol & Entertainments (completed) • Handyman Service (completed) • Safer Neighbourhoods Partnership (completed) 		
Places – Planning and Regeneration	<ul style="list-style-type: none"> • BDUK Project (completed) • Regional Growth Fund (completed) • Vacant Land & Property (completed) • Leader Programme (completed) • Humber University Technical College (watching brief) • Development Control (completed) 		<ul style="list-style-type: none"> • South Humber Bank
Places- Community Services	<ul style="list-style-type: none"> • Highways Alliance – Closure (in progress) • Grant Certification – Bus Operators Grant (completed), Local Transport Capital Block / Additional Highways Funding (completed) • Universal Infant Free School Meals (completed) 	<ul style="list-style-type: none"> • Traffic Income Procedures (completed) • CIC/CIN Transport follow up (completed) 	

<p>In addition to the above resources were deployed on :</p> <ul style="list-style-type: none"> • Advice /irregularity work • Follow up work • Audit plan performance monitoring and reporting 	
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