Report of the: Director of Policy and
Resources

Agenda
Item No: 7
Meeting: 19 January 2016

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 2015/16 audit plan year.

2. BACKGROUND INFORMATION

2015/16 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.

2.2 Audit resources are reduced following the resignation of two staff (1.5fte) in September to pursue other careers outside the council. The shortfall has been partially offset by additional hours worked by a part-time member of staff and reprioritisation of planned work. 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 2015/16 due to unavailability of key staff, assurances provided from other sources or revised implementation dates of key changes to the control environment.

2.3 A key feature is an increase in requests for advice as a result of the implementation of new key systems such as payroll and expenses and changes to key policies and procedures as shared back office services are developed with NELC. 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

2.4 Generally internal control arrangements are assessed as providing an adequate level of assurance. Since April 2015 there have been no reports issued that highlighted control weaknesses and an overall assessment of no assurance.

2.5 The Committee has received updates on audit work relating to adult income systems and procedures. Follow up work shows good progress has been made to implement agreed actions which has resulted in improved assurance from limited to satisfactory assurance evaluation.

2.6 Internal controls in 2 other significant systems are assessed as providing limited assurance; these are:

Continuing Health Care
The review highlighted significant risk to the council of payment of cases that are the responsibility of Health. Concerns were raised about the high value of cases not adequately monitored and absence of a formal process for appeals.

Construction Framework – Highways
The evaluation was based on non-compliance with council procedures e.g.
- Contracts were not issued and properly presented for authorisation for projects over £100k.
- Purchase orders have not been raised for projects below £100k.
- The council's YORtender system has not been utilised.

In both cases action agreed to mitigate risks will be monitored with the relevant service managers.

Unplanned work

2.7 Requests for unforeseen and irregularity work continue to be received and met from the allocation set aside in the 2015/16 Audit Plan. Investigations have risen by 19% compared to last year. Further details are provided in the counter fraud policies and standards report elsewhere on this agenda.

Shared Service Development

2.8 In October the Shared Services Joint Committee approved the structure of the Audit, Risk, Fraud and Insurance shared service with North East Lincolnshire Council. It is anticipated that the target date for implementation of 1st April 2016 will be met. Peter Hanmer from NELC has been appointed as Head of Service and Carol Andrews is retiring from her post. Recruitment into the new structure has been completed however a vacancy at Audit Adviser level remains and will be advertised. Other projects to review IT systems, processes and procedures, accommodation, consultation and performance targets are in progress.

Joint or new strategies or plans developed through the shared service arrangement will be presented to the Audit Committee as appropriate.

2.9 **Delivering good governance in local government**
Over the summer, the CIPFA/Solace Joint Working Group on Good Governance in Local Government consulted on a revised draft of Delivering Good Governance in Local Government: Framework. The Framework defines the principles that should underpin the governance of each local government body and provides a structure to assist local authorities with their own approach to governance. CIPFA is reviewing the Framework to ensure that it remains 'fit for purpose and recognises the need for alternative delivery vehicles for public service provision. The revised Framework also builds on the International Framework: Good Governance in the Public Sector 2014 which emphasises the importance of considering the longer term and links between governance and public financial management. The Framework is now being redrafted to take account of respondents' views, and a revised edition together with a new guidance note will be published in early 2016. The revised Framework will apply from 2016/17.

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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DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report:
Nil

Internal Audit Plan 2015/16

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
Fundamental Financial systems						
164 days	2014/15 fundamentals	●				
	2015/16 Fundamentals					
	Payroll			●		
	Creditors			●		
	Debtors			●		
	Cash Receipting			●		
	Main Accounting Ledger				●	
	Housing Benefits			●		
	Council Tax/NNDR			●		
	Treasury Management			●		
	CareFirst –Payments	●				
	Housing Benefit Subsidy claim	●				
	Pensions assurance	●				
	Welfare Reform					● (delay in Universal Credit)
Corporate Governance						
20 days	2014/15 Corporate Governance evaluation	●				
30 days	2015/16 Corporate Governance evaluation			●		
	Back office shared service hub support			●		

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
Risk Management						
10 days	Annual review of risk management arrangements				•	
IT Audit						
112 days	Network Management (2014/15)	•				
	Change control (2014/15)	•				
	IT Governance					• (await shared service)
	IT Project Management Controls			•		
	Internet/Email Controls				•	
	Security of Mobile Devices				•	
	Operating Systems			•		
	Telephone System				•	
	IT Solution Centre			•		
	Public Sector Network	•				
Commissioning / Contract Audit						
45 days	Commissioning					
	Contract Management – use of checklist					• (client request)
	Category Management					• (client request)
	In-sourcing / de-commissioning		•			
	Construction Framework	•				

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
Fraud Prevention and Detection						
160 days	Whistleblowers Hotline			•		
	National Fraud Initiative (Data Matching)	•				
	Fraud Preventative Measures			•		
	Income audits/ misuse of public funds;					
	Home Choice Lincs	•				
	Highways Stores			•		
	Highways flexi & mileage	•				
	Leisure facilities Income	•				
	Leisure facilities Debtors			•		
	NL Business Network	•				
Council Wide Systems						
74 days	Partnerships (2014/15)	•				
	Data Quality (2014/15)	•				
	Budgetary Control			•		
	Health and Safety					• (await shared service)
	Information Governance:					
	Freedom of Information		•			
	Records Management				•	
	Public Health Assurance			•		
	Public Health NHS Assessment				•	
Other Strategic risks						
202 days	Better Care Fund Governance	•				
	Better Care Sub Fund Assurance		•			

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	Recruitment Policy			•		
	Sickness	•				
	Children in Care- Kingfisher Lodge	•				
	Mental Health	•				
	Child Protection				•	
	DBS Checks		•			
	Personal Budget Model		•			
	Contaminated Land		•			
	BDUK				•	
	South Humber Bank				•	
	HUTC				•	
	External Funding					
	Flood Support for Businesses,	•				
	Scottish Southern Energy					
	Springboard				•	
	LEP	•				
	Public Relations and Communications				•	
	Commercialism			•		
Key operational Risks						
295	4 School visits					
	Schools assurance;					
	Website	•				
	eSafety				•	
	information Governance	•				
	Financial compliance	•				

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	Transport	•				
	Customer Services Management				•	
	Grant Certification (BSOG, Local Transport Capital Block Funding)	•				
	Section 17 Payments	•				
	Leave policies					• (reduced resources)
	Compensation for termination of employment	•				
	Settlement Agreements		•			
	Receiverships	•				
	Electoral Registration	•				
	Energy Management	•				
	Section 106		•			
	Neighbourhood area teams					• (client request)
	Council website				•	
	Adult Income F/up	•				
	Specialist learning				•	
	VCS funding	•				
	Public relations and communications	•				
	Members Allowances				•	
	Mayoral support					• (reduced resources)
	Childrens personal budgets				•	
	Highways Alliance Closure (2014/15)	•				
	Disabled Facilities Grants (2014/15)	•				
	Music Service Support (2014/15)	•				
	*Troubled Families Initiative			•		

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred

Consultancy, Advice 200	Advice and unplanned work as requested including commercial work
	   services to schools x 6
	   KHCC grant claim
	* 17 internal investigations
	*Timerecording
	*Autism Grant
	*Community capacity grant
	*Single sign on
	*Leavers
	*Enterprise grant
	*Continuing Health Care
	*New email system
		4
		●
		16
		
		●
		●
		●
		●
		●
		●
				2
				
				1
				●
				
				●		

Other 137 days	Follow up work. Audit plan and performance monitoring and reporting *Commissioning e-auctions Social media Flood management *Traffic Management Income *Mileage and Overtime *Commercial properties *Learning disability *Pre loaded cards *Loneworking *Economic Development	● ● ● ● ● ● ● ●			● ●	

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
TOTAL 1449						