

Report of the: Director of Policy and  
Resources

Agenda  
Item No:7  
Meeting: 12 April 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. Although some additional audits were required during the year due to emerging risks, there were other planned audits which were no longer required in 2015/16 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.

#### **2016/17 Audit Plan**

- 2.2 Audit planning meetings with Directors/Assistant Directors have taken place to develop the plan for 2016/17. The draft audit plan is presented elsewhere on this agenda for Members to consider.

### **Significant Audit Findings – 2015/16 Audit Plan**

- 2.3 Audits of fundamental financial systems, risk management and corporate governance are completed or nearing completion and the outcome will be reported in Internal Audit's Annual Report in June 2016, however there are no significant issues to report at this stage.
- 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.

A review of contaminated land risk controls was assessed as providing limited assurance. The audit identified improvements necessary in:

- Contaminated Land Inspection Strategy update.
- Site records
- Co-ordination between service areas..

Remedial action has been agreed to mitigate risks and progress will be monitored with the relevant service managers

### **Unplanned work**

- 2.5 Requests for unforeseen and irregularity work continue to be received and the allocation set aside in the 2015/16 Audit Plan of 160 days has been exceeded. Since April 2015 internal audit has received 36 referrals (an increase of 57% on last year). These have been investigated by officers within the service or in conjunction with HR colleagues and/or the police.. The majority of frauds investigated are:

- Inappropriate use of internet and mobile phone during working hours, and
- Flexi/timesheet/mileage claims discrepancies

Other types of fraud involve:

- Failure to safeguard assets
- Cash /income anomalies
- Misuse of council data.

### **Shared Service Development**

- 2.6 In January Members were informed of the progress made on implementing the Audit, Risk, Fraud and Insurance shared service with North East Lincolnshire Council. Peter Hanmer from NELC is the Head of Service and will present a brief update at the Committee Meeting to appraise Members on progress made to date. Joint or new strategies or plans developed through the shared service arrangement will be presented to the Audit Committee as appropriate.

### **External Audit Appointment**

- 2.7 At the last meeting Members received a report from KPMG On the future appointment of External Auditors. The report included options available to authorities and was prepared in response to the Government's decision

that local government bodies' audit contracts will only be extended for one year following the end of the current PSAA contract, to incorporate the 2017/18 financial year. The options available being:

- Re-appointment of the incumbent auditor
- Stand-alone tendering
- Combined procurement
- Existing frameworks
- Sector led procurement

The Local Government Association has contacted authorities concerning a sector led procurement option which North Lincolnshire Council has expressed interest in. The 'opt in' is not binding and further details and information will be reported to this Committee during 2016.

### **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 resources 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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Date: 18 March 2016

**Background Papers used in the preparation of this report:** None

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## Internal Audit Plan 2015/16

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
<b>Fundamental Financial systems</b>						
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	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>		<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>		<ul style="list-style-type: none"> <li>• (delay in Universal Credit)</li> </ul>
<b>Corporate Governance</b>						
20 days	2014/15 Corporate Governance evaluation	•				
30 days	2015/16 Corporate Governance evaluation Back office shared service hub support			<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>		

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
<b>Risk Management</b>						
10 days	Annual review of risk management arrangements	•				
<b>IT Audit</b>						
112 days	Network Management (2014/15) Change control (2014/15) IT Governance IT Project Management Controls Internet/Email Controls Security of Mobile Devices Operating Systems Telephone System IT Solution Centre Public Sector Network	<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>		<ul style="list-style-type: none"> <li>• (await shared service)</li> <li>• (reduced resources)</li> <li>• (await shared service)</li> </ul>
<b>Commissioning / Contract Audit</b>						
45 days	Commissioning Contract Management – use of checklist Category Management In-sourcing / de-commissioning Construction Framework	<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>				<ul style="list-style-type: none"> <li>• (client request)</li> <li>• (client request)</li> </ul>

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
<b>Fraud Prevention and Detection</b>						
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	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>		<ul style="list-style-type: none"> <li>•</li> </ul>		
<b>Council Wide Systems</b>						
74 days	Partnerships (2014/15) Data Quality (2014/15) Budgetary Control Health and Safety Information Governance: Freedom of Information Records Management Public Health Assurance Public Health NHS Assessment	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>		<ul style="list-style-type: none"> <li>• (await shared service)</li> <li>• (client delay)</li> </ul>
<b>Other Strategic risks</b>						
	Better Care Fund Governance	<ul style="list-style-type: none"> <li>•</li> </ul>				

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
202 days	Better Care Sub Fund Assurance Recruitment Policy Sickness Children in Care- Kingfisher Lodge Mental Health Child Protection DBS Checks Personal Budget Model Contaminated Land BDUK South Humber Bank - grant HUTC External Funding: Flood Support for Businesses Scottish Southern Energy Springboard LEP Public Relations and Communications Commercialism	<ul style="list-style-type: none"> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• At client request</li> <li>• (not required)</li> <li>• (co-ordinated by HullCC)</li> </ul>
<b>Key operational Risks</b>						
295	4 School visits Schools assurance; Website eSafety Information Governance	<ul style="list-style-type: none"> <li>•</li> <li>•</li> </ul>				<ul style="list-style-type: none"> <li>• At client request</li> </ul>





Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	*Troubled Families Initiative	•				
Consultancy, Advice 200	Advice and unplanned work as requested including commercial work services to schools x 6 KHCC grant claim * 24 internal investigations *Time recording *Autism Grant *Community capacity grant *Single sign on *Leavers *Enterprise grant *Continuing Health Care *New email system *Flood Resilience Grant	4 • 20 • • • • • • • • • •		2 4 •		
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	• • • • • • • •		•		

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	*Loneworking *Economic Development	•			•	
<b>TOTAL</b> <b>1449</b>						