

INTERNAL AUDIT PROGRESS REPORT APRIL 2018 TO AUGUST 2018

Report of the Audit Manager

Date: 14 November 2018

Agenda Item: 6

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Key Decision? NO

Local Ward
Members


Lichfield
district council
www.lichfielddc.gov.uk

**AUDIT &
MEMBER
STANDARDS
COMMITTEE**

1. Executive Summary

- 1.1 To report on the outcome of Internal Audit's review of the internal control, risk management and governance framework for the period April 2018 to August 2018. To provide members with assurance of the ongoing effective operation of an internal audit function and enabling any particularly significant issues to be brought to the Committee's attention.

2. Recommendations

- 2.1 That the Committee considers the attached performance report and raises any issue it deems appropriate.

3. Background

- 3.1 The Accounts and Audit Regulations 2015 require each local authority to publish an Annual Governance Statement (AGS) with its Annual Statement of Accounts. The AGS is required to reflect the various arrangements within the Authority for providing assurance on the internal control, risk management and governance framework within the organisation, and their outcomes.
- 3.2 One of the sources of assurance featured in the AGS is the professional opinion of the Audit Manager on the outcome of internal audit reviews. Professional good practice recommends that the opinion be given throughout the year to inform the Annual Governance Statement. This opinion is given as part of the reporting process to the Audit & Members Standards Committee.
- 3.3 The Audit Manager's opinion statement for the period April 2018 to August 2018 is set out as **Appendix 1**, and the opinion is summarised below.
- 3.4 Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, **I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's Risk Management, Control & Governance processes.**

Overall in my opinion, based upon the reviews performed for the period April 2018 to August 2018, the Authority has:

- adequate and effective risk management arrangements;
- adequate and effective governance; and
- adequate and effective control processes.

Specific Issues

No specific issues have been highlighted through the work undertaken by Internal Audit during 2018/19 to date.

Alternative Options	1. None.
Consultation	1. The progress report has been discussed and agreed with the Council's S151 Officer.
Financial Implications	1. None arising from this report.
Contribution to the Delivery of the Strategic Plan	1. Internal Audit aims to support the Strategic Plan by providing an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations
Equality, Diversity and Human Rights Implications	1. None arising from this report.
Crime & Safety Issues	1. None arising from this report

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Audit Plan becomes unachievable	Continuous review to ensure target is achieved	Green
B	Audit Plan becomes irrelevant	Continuous review to ensure any issues that become high risk during the year are included in the Plan	Green

Background documents

Relevant web links

REPORT ON AUDIT WORK CARRIED OUT DURING APRIL 2018 TO AUGUST 2018

1 INTRODUCTION

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards)

Every local authority is statutorily required to provide for an adequate and effective internal audit function. The Internal Audit service provides this function at this Authority.

This brief report aims to ensure that Committee members are aware of the arrangements operated by the Internal Audit service to monitor the control environment within the services and functions of the authority, and the outcome of the monitoring. This is to contribute to corporate governance and assurance arrangements and ensure compliance with statutory and professional duties, as Internal Audit is required to provide periodic reports to "those charged with governance".

2 PERFORMANCE AND PROGRESS AGAINST THE AUDIT PLAN

The Internal Audit service aims to complete at least **90%** of the applicable planned audits by the end of the financial year. This is one of the main Performance Indicators for Internal Audit. Progress to the end of August 2018 is detailed in **Annex 1** which shows that Internal Audit had started/completed **29%** of the planned audits for 2018/19. Internal Audit expect to have started/completed **42%** of the audit plan at the end of August. This equates to 3 audits not being started in the time period as expected. This has evolved due to staffing issues within the department – An Audit Apprentice was taken on in January 2018 and left in June 2018 creating a vacancy. Additional support to cover the vacancy gap is currently being provided by contract staff in order to achieve the audit plan. The Audit Apprentice post is being replaced by a new post of Trainee Internal Audit Assistant. At least 90% of the audit plan is expected to be achieved by the end of the financial year.

3 AUDIT REVIEWS COMPLETED APRIL 2018 TO AUGUST 2018

Nine audits were finalised during the period April 2018 to August 2018 with a total of **30** recommendations made with **27** (90%) of recommendations being accepted by management. **Annex 2** confirms the recommendations accepted. The table below details the reviews finalised and their assurance levels:

Overall Audit Opinion – work completed April to August 2018

Audit	Overall Opinion	Accepted Recommendations			
		H	M		
Payroll		Substantial assurance	1	Main Financial system - full	
Capital Accounting		Substantial assurance	2	Main Financial system - full	
Safeguarding (in relation to the Mental Capacity Health Act 2005)		Adequate assurance	3	System based review	
Leisure Services Contract Management Process		Substantial assurance		System based review	
TIC/Tourism		Limited assurance	9	System based review	
Section 106/CIL agreements		Limited assurance	1	7	System based review
Treasury Management		Substantial assurance	1	System based review	
Car Parking		Substantial assurance	3	System based review	

Internal Audit revisits areas it has audited around 6 months after agreeing a final report on the audit, to test and report to management on the extent to which agreed actions have been taken. Details of the implementation reviews and the status of the agreed management actions are summarised below and are detailed in **Annex 2**.

First Implementation Review Area	High			Medium		
	Fully	Partially	Not	Fully	Partially	Not
Data Protection	9	1		3		1
Development & Enforcement	1			3	3	
Freedom of Information				3	3	1
Safeguarding	2			8	1	
Total	12	1	-	18	7	2

Second Implementation Review Area	High			Medium		
	Fully	Partially	Not	Fully	Partially	Not
VAT				1		
Trade Waste	1			1		
Council Tax				1		
Total	1	-	-	3	-	-

Internally Audit is fairly satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues. The one high priority action partially outstanding relates to sending out reminders to staff to lock screens whilst they are not at their desk- one reminder has been sent but additional reminders have not yet taken place.

4 INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY

Attribute Standards 1110 to 1130 of the Public Sector Internal Audit Standards require that Internal Audit have organisational and individual independence and specifically states that the Audit Manager must confirm this to the Audit Committee at least annually. This confirmation is provided as part of the Internal Audit performance reporting.

“The Audit Manager confirms that Internal Audit is operating independently of management and is objective in the performance of internal audit work.”

5 OVERALL CURRENT INTERNAL AUDIT OPINION

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation’s Risk Management, Control & Governance processes.

Overall in my opinion, based upon the reviews performed for the period April 2018 to August 2018, the Authority has:

- Adequate and effective risk management arrangement;
- Adequate and effective governance; and
- Adequate and effective control processes.

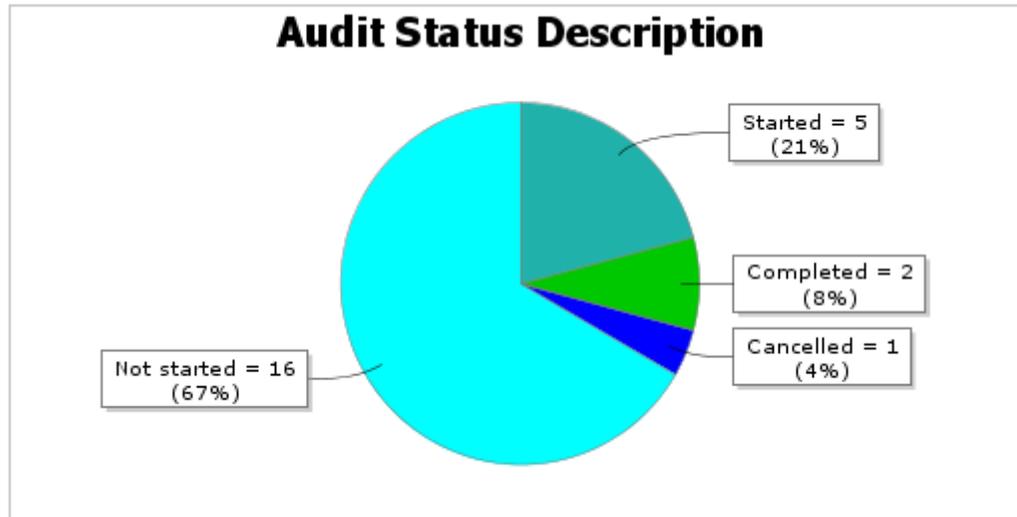
Specific issues:

There were no specific issues highlighted through the work to date in the 2018/19 financial year.

Angela Struthers
Audit Manager

Audit Plan Status 2018/19

Report Type: Audit File Report
 Report Author: Angela Struthers
 Generated on: 19 September 2018



Title	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
Fraud Awareness/ Proactive work	✓	Started	
Accounting & Budgetary Control	●	Not started	System based review
Treasury Management	✓	Completed	System based review
Income management	●	Not started	System based review
BACs	●	Not started	System based review
Data Protection/Data Quality (GDPR)	●	Not started	System based review

Title	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
Property Leases & Charges		Cancelled – commercial properties being reviewed as part of the Fit 4 Future programme	System based review
Elections		Not started	Risk based review
Scheme of Delegation		Not started	Risk based review
Service Desk		Not started	Risk based review
Application Controls		Started	Risk based review
PSN		Not started	Risk based review
Mobile phones		Not started	System based review
GIS		Not started	System based review
Allowances & Expenses		Not started	System based review
Lichfield Connects		Started	System based review
Strategic Housing		Not started	System based review
Homelessness		Not started	System based review
Taxi Licences		Not started	System based review
Land Charges		Started	System based review
Ground Maintenance/Parks – Business Growth Improvement		Not started	System based review
Car Parking		Completed	System based review
LA Trading Company		Not started	
Pension Assurance Work		Started	

Recommendations Agreed between April & August 2018

Report Type: Audit Recommendations Report

Report Author: Angela Struthers

Generated on: 24 September 2018

Rows are sorted by Priority



Audit Recommendation Code & Title	Audit Recommendation Priority	Audit Recommendation Acceptance
1718 Cap 01 Verification of assets	Medium	Not Accepted- the formal sign off of assets is an additional internal control to existing internal controls. These controls include the Valuer undertaking formal valuations of property and the Finance

Audit Recommendation Code & Title	Audit Recommendation Priority	Audit Recommendation Acceptance
		Team's knowledge of asset acquisitions and disposals.
1819 TM 02 Authorisation of payments	Medium	Not Accepted - The Financial Procedure rules don't require 2 authorised officers. We do however endeavour to obtain 2 signatures but sometimes there is only one signatory in the office. The risk of a deal not being completed resulting in a breach of the approved limits thereby putting money at risk, is seen as greater risk than the risk of not obtaining two signatories
1819 TM 04 TM Potential Deal forms for DMO investments	Medium	Not Accepted - The Debt Management Office (DMO) is an option of last resort. We only use the DMO to solve a short cash flow issue.