

# INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2018 TO DECEMBER 2018

Report of the Audit Manager

Date: 6 February 2019  
Agenda Item: 5  
Contact Officer: Angela Struthers  
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Key Decision? NO  
Local Ward Members

*Lichfield*  
district council  
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**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 September 2018 to December 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 September 2018 to December 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 September 2018 to December 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
GDPR/Privacy Impact Assessment	1. N/A

	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 SEPTEMBER 2018 TO DECEMBER 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. Five audits (Income Management, Property Leases & Charges, Public Sector Network, Mobile Phones and Taxi Licences) have been postponed at management's request due to imminent system changes and have been moved to the next financial year. Four audits (Disabled Facilities Grants Assurance work, Transparency Code, Web Expenses & Housing Benefit Memorandum of Understanding) have been added to the current financial year's plan. Progress to the end of December 2018 is detailed in **Annex 1** (with a summary in the table below) which shows that Internal Audit had started/completed 65% of the planned audits for the revised 2018/19 audit plan. Internal Audit expect to have started/completed 75% of the audit plan at the end of December. 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 contracted staff in order to achieve the audit plan. The Audit Apprentice post has been replaced by a new post of Trainee Internal Audit Assistant who commenced employment in December 2018. At least 90% of the audit plan is expected to be achieved by the end of the financial year.

	Original Plan	Current Plan			
		Ytd Target	Ytd Actual	Projected	
Number of Planned Audits	24		23		
Performance against the Audit Plan (%)	90%	75%	65%	90%	✓
Performance against the Audit Plan (Audits)	22	17	15	21	✓

### 3 AUDIT REVIEWS COMPLETED SEPTEMBER 2018 TO DECEMBER 2018

Five audits were finalised during the period September 2018 to December 2018 with a total of 33 recommendations made with 32 (97%) of recommendations being accepted by management. **Annex 2** confirms the recommendations accepted. The one recommendation not accepted related to project management governance procedures and the lack of consistency over the arrangements to support the monitoring of projects. It was recommended that a consistent approach to monitoring arrangement should be put in place. However, it was felt that this was not required as they are described in the Project Initiation Document. The table below details the reviews finalised and their assurance levels:

#### Overall Audit Opinion – work completed September to December 2018

Audit	Overall Opinion	Accepted Recommendations			
		H	M		
Corporate Policy Management		Adequate assurance		6	System based review
Project Management		Adequate assurance		7	System based review
Cyber Security		Limited assurance	2	6	IT audit
Land Charges		Adequate assurance		6	System based review
BACs		Substantial assurance		1	IT audit
Lichfield Connects		Substantial assurance		5	System based review
Disabled Facilities Grants Assurance work					Additional Transactional
Pensions Assurance work					Transactional
Memorandum of Understanding between Housing Benefits & DWP Assurance work					Additional transactional

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 3**.

First Implementation Review Area	High			Medium		
	Fully	Partially	Not	Fully	Partially	Not
Creditors				3		
NNDR				2		
Payroll		1				
Economic Development Partnership Arrangements				7	1	
<b>Total</b>	-	1	-	12	1	-

Second Implementation Review Area	High			Medium		
	Fully	Partially	Not	Fully	Partially	Not
Housing Benefit – Verification & Performance				2		
Memorandum of Understanding between Housing Benefit & DWP assurance work				4		
<b>Total</b>	-	-	-	6	-	-

Internal Audit is satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues.

#### **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 September 2018 to December 2018, the Authority has:

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

#### Specific issues:

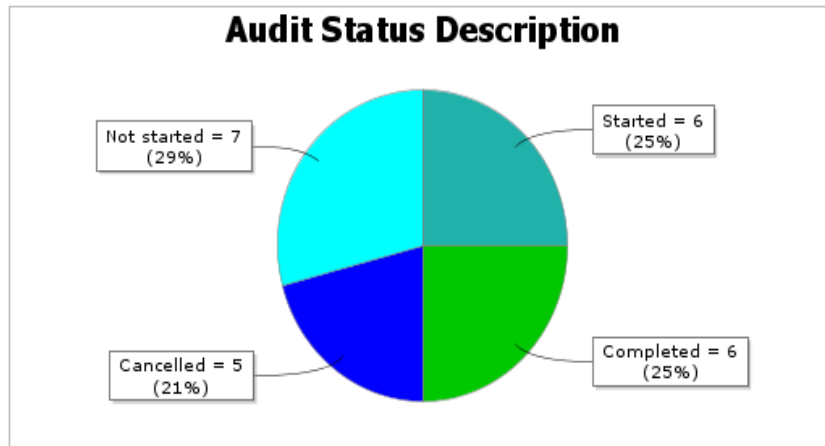
There were no specific issues highlighted through the work to date in the 2018/19 financial year.

Angela Struthers  
Audit Manager

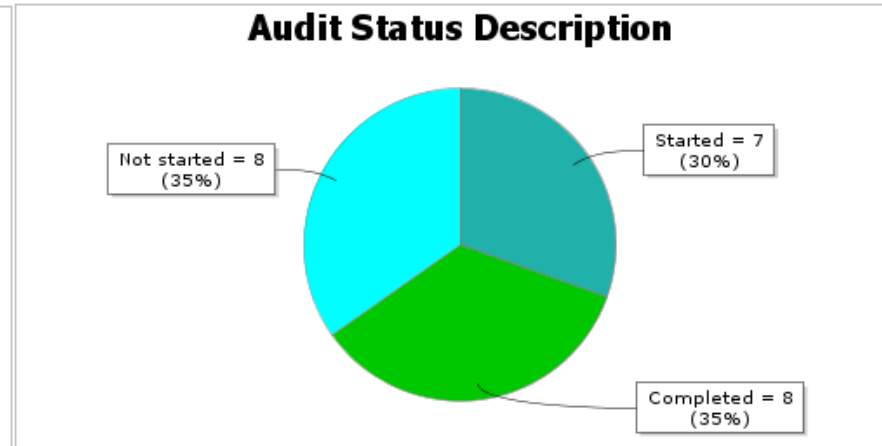
# Audit Plan Status 2018/19 Revised plan

**Report Type:** Audit File Report  
**Report Author:** Angela Struthers  
**Generated on:** 04 January 2019

Original Plan



Revised Plan



## Revised Plan

Title	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
Fraud Awareness/ Proactive work	✓	Started	
Accounting & Budgetary Control	✓	Started	System based review
Treasury Management	✓	Completed	System based review

Title	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
BACs		Completed	System based review
Data Protection/Data Quality (GDPR)		Not started	System based review
Elections		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
Geographic Information System		Started	System based review
Allowances		Started	System based review
Lichfield Connects		Completed	System based review
Strategic Housing		Not started	System based review
Homelessness		Not started	System based review
Land Charges		Completed	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		Completed	Transactional
Disabled Facilities Grants Assurance work		Completed	Additional system based review
Transparency Code		Not started	Additional system based review
Corporate work – Web expenses		Started	Additional risk based review
Housing Benefit/DWP Memorandum of Understanding		Completed	Additional system based review

# Recommendations agreed between Sept and Dec 2018

Report Type: Audit Recommendations Report

Report Author: Angela Struthers

Generated on: 04 January 2019



Project management 07 Governance

Medium

Not Accepted



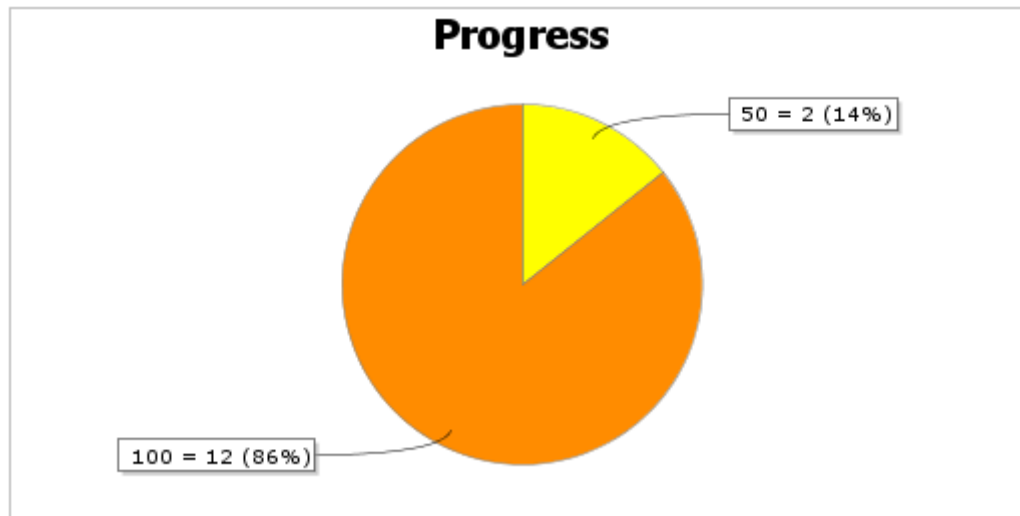
# 1st Implementation Reviews status Sept to Dec 2018

**Report Type:** Audit Recommendations Report

**Report Author:** Angela Struthers

**Generated on:** 04 January 2019

Rows are sorted by Priority



Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1718 Payroll 01 Information sending	▶	High	50%	1st implementation review completed
1718 Econ Dev 04 Social media	▶	Medium	50%	1st implementation review completed

## 2nd Implementation Reviews status Sept to Dec 2018

**Report Type:** Audit Recommendations Report

**Report Author:** Angela Struthers

**Generated on:** 04 January 2019

