INTERNAL AUDIT PROGRESS REPORT 1 APRIL TO 30 SEPTEMBER 2019

Cabinet Member for Finance & Democratic Services

Date:	14 November 2019
Agenda Item:	5
Contact Officer:	Rebecca Neill
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Key Decision?	**NO**
Local Ward Members	**N/A**

AUDIT & MEMBER STANDARDS COMMITTEE

www.lichfielddc.gov.uk

1. Executive Summary

1.1 To provide Audit & Member Standards Committee with Internal Audit's progress report for the period 1 April 2019 to 30 September 2019 (**Appendix 1**).

2. Recommendations

2.1 That the Committee notes the report.

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 Head of Internal Audit 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 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.

3.4 Overall in my opinion, based upon the reviews performed during the period April 2019 to September 2019, the Authority has:

- adequate risk management arrangements;
-adequate governance; and
- adequate control processes in place.

3.5 No specific issues have been highlighted through the work undertaken by Internal Audit during the period 1 April 2019 – 30 September 2019.

Alternative Options	1. None.
Consultation	1. This 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

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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, PSIAS).

Accounts and Audit [England] Regulations 2015 require every Local Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance process taking into account the PSIAS.

This 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 currently aims to complete at least 90% of the applicable planned audits by the end of the financial year. Four audits (Property Investment Strategy, LA Trading Company, Contracts Procurement and Mobile Phones) have been postponed at management's request due to imminent system changes. Progress to the end of September 2019 is detailed in **Annex 1**, which shows that at the half year point, Internal Audit have started/completed 47% of the planned audits for 2019/20. The service remains on target despite experiencing staffing issues – the former Audit Manager left the service in June 2019 and while cover was provided by the Principal Auditor (Tamworth) during this time, the new Head of Audit did not commence in post until mid-August 2019. In addition, some of the early part of the year has traditionally been spent finalising audits from the previous year. A new planning regime has now been introduced and the service is expected to achieve the plan and avoid the carry-over of audits into the new financial year.

	Original Plan	Current Plan			
		Ytd Target	Ytd Actual	Projected	
Number of Planned Audits	36				
Performance against the Audit Plan (%)	90%	45%	47%	90%	√
Performance against the Audit Plan (Audits)	32	16	17	32	√

Another of Internal Audit's KPI's is managements' views which are sought at the conclusion of each audit by the issue of a Customer Satisfaction Questionnaire. This requires management to give a satisfaction rating of between 0 and 5. Our target score is 4.00. Of the 12 audits finalised during the period, responses were received in 7 cases. The average score for these was 4.57, exceeding the target of 4.00 by 0.57.

3   AUDIT REVIEWS COMPLETED APRIL 2019 TO SEPTEMBER 2019

Twelve audits were finalised during the period April 2019 to September 2019 with a total of 104 recommendations made. All 104 (100%) of recommendations were accepted by management. The table below details the finalised reviews and their assurance levels:

Audit	Overall Opinion		High	Medium	
Data Protection/Data Quality (GDPR) *	Limited assurance	⚠	7	7	System based review
Application Controls *	Limited assurance	⚠	0	14	Risk based review
Members/ Officers Allowances *	Substantial assurance	✔	0	1	System based review
Strategic Housing *	Adequate assurance	✔	0	9	System based review
Homelessness *	Adequate assurance	✔	0	14	System based review
Transparency Code *	Limited assurance	⚠	5	10	Additional system based review
IT Service Desk *	Substantial assurance	✔	0	4	Risk based review
Joint Working / SLA's	Adequate assurance	✔	0	5	System based review
VAT	Substantial assurance	✔	0	3	System based review
RIPA	Adequate assurance	✔	0	10	System based review
Ethics	Adequate assurance	✔	1	12	System based review
Street Cleansing	Substantial assurance	✔	0	2	System based review

* relate to 2018/19 planned audits finalised during early 2019/20

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** and **Annex 3**.

First Implementation Review Area	Revised Opinion	High			Medium		
		Fully	Partially	Not	Fully	Partially	Not
Treasury Management	✅ Substantial					1	
H&S Enforcement – Environment Health	✅ Adequate	1	1		4	3	
Project Management	✅ Adequate					4	2
Capital Accounting	✅ Substantial					2	
Lichfield Connects	✅ Substantial				4		1
Total		**1**	**1**	**0**	**8**	**10**	**3**

Second Implementation Review Area	Revised Opinion	High			Medium		
		Fully	Partially	Not	Fully	Partially	Not
Car Parking	✅ Substantial				2		
S106/CIL	✅ Adequate		1		1	1	
Economic Development	✅ Substantial					1	
Building Control	✅ Substantial				7	1	
Civil Contingencies/ Business Continuity	✅ Substantial				4		2
Development Management	✅ Substantial				2	1	
Payroll	✅ Substantial	1					
Total		**1**	**1**	**0**	**16**	**4**	**2**

Internal Audit is satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues. At second implementation review, there remained 1 high priority partially met recommendation which related to ensuring that Section 106 monies received are allocated. The service is aware of this and is working towards resolution.

The Internal Audit Protocol currently only requires two follow up reviews to be undertaken. Should any recommendations be outstanding at the time of the second follow up review, then no further action will be undertaken by internal audit, but instead management accept the risk for non-implementation of any outstanding recommendations. The

recommendations remain active on the Pentana system until they are confirmed as implemented. Any outstanding recommendation would be picked up again at the next audit (should the scope remain the same).

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 Head of Audit must confirm this to the Audit & Member Standards Committee at least annually. This confirmation is provided as part of the Internal Audit performance reporting.

"The Head of Audit 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 1 April 2019 to 30 September 2019, the Authority has:

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

Specific issues:

There were no specific issues highlighted through the work to date in the 2019/20 financial year.

Rebecca Neill
Head of Audit
October 2019

Audit Plan Status 1 April to 30 September 2019

Audit Status Description

Completed = 6
(30%)

Not started = 19
(53%)
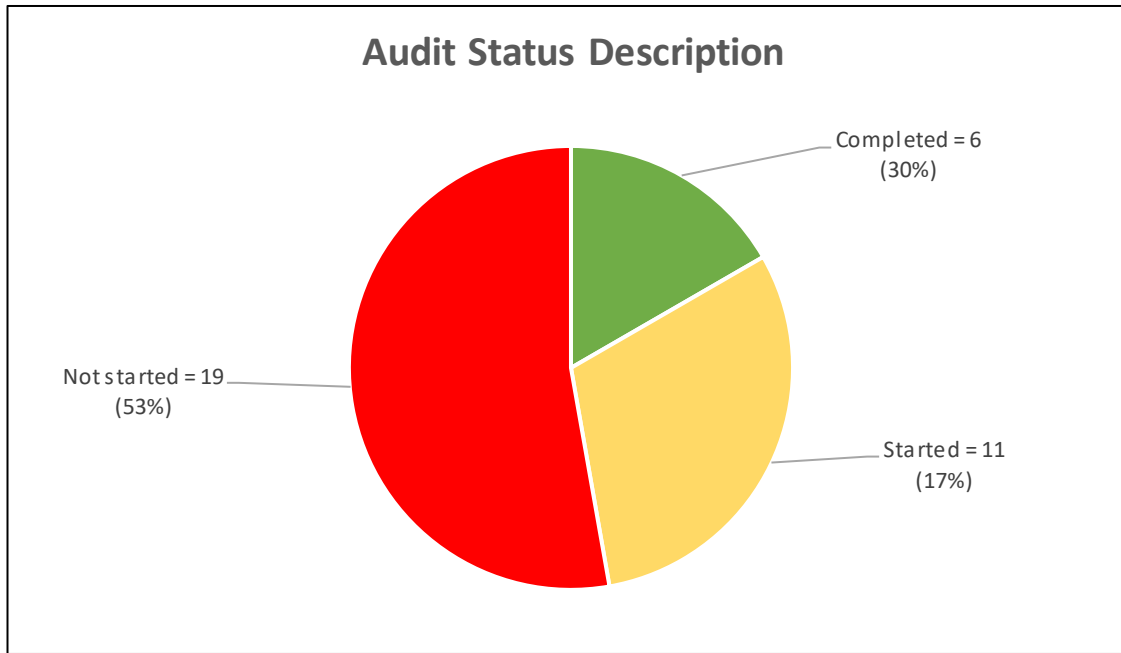
Started = 11
(17%)

Title	Audit Status Icon	Audit Status	Audit Assurance Type
Mobile phones	🔴	Not started	System based review
Taxi Licences	✔	Started	System based review
CCTV	🔴	Not started	System based review
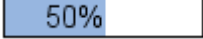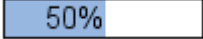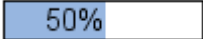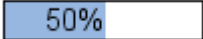
Title	Audit Status Icon	Audit Status	Audit Assurance Type
Property Leases & Charges	🔴	Not started	System based review
Sundry debtors	✅	Started	System based review
Council Tax	✅	Started	System based review
HB Memo of Understanding	✅	Started	Assurance to external provider
DFG's	✅	Started	Assurance to external provider
Joint Working / SLA's	✅	Completed	System based review
Property Investment Strategy	🔴	Not started	System based review
LA Trading Company	🔴	Not started	System based review
VAT	✅	Completed	System based review
Contracts – Procurement	🔴	Not started	System based review
RIPA	✅	Completed	System based review
Ethics	✅	Completed	System based review
Equalities	🔴	Not started	System based review
Legal Compliance	🔴	Not started	Risk based review
Committee Reporting	🔴	Not started	System based review
Performance Management	🔴	Not started	System based review
Cyber Security	🔴	Not started	Information technology
Workforce Development	🔴	Not started	Risk based review
IT Governance	✅	Started	Information technology
CRM Application	🔴	Not started	System based review
Safeguarding – inc Modern Slavery	🔴	Not started	System based review
Affordable Housing	🔴	Not started	Risk based review
Civil Contingencies	🔴	Not started	Risk based review

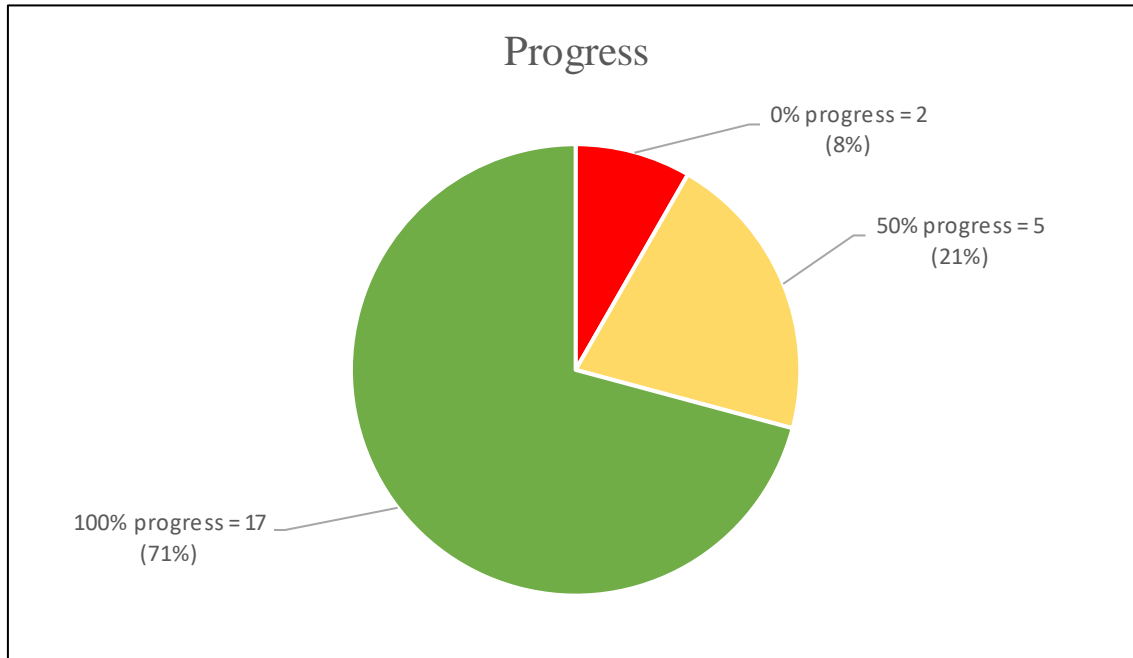| Title	Audit Status Icon	Audit Status	Audit Assurance Type
Community Safety	✔	Started	System based review
Countryside Management & Bio Diversity	✔	Started	Risk based review
Parks Management	✔	Started	System based review
Leisure Contract	🔴	Not started	Risk based review
Street Cleansing	✔	Completed	System based review
Tourism	🔴	Not started	System based review
Spatial Planning Policy	🔴	Not started	Risk based review
Pensions Assurance Work	✔	Started	Assurance to external provider
National Fraud Initiative	✔	Completed	Assurance to external provider
Health and Safety	✔	Started	System based review

1st Implementation Reviews status 1 April to 30 September 2019
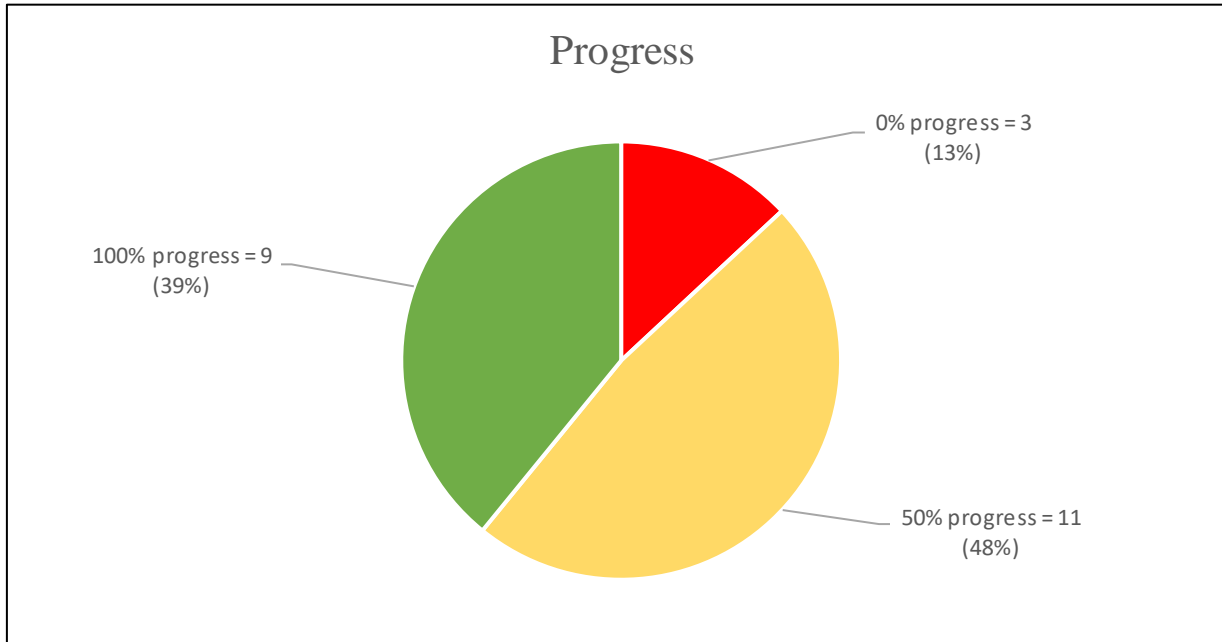
Progress

- 0% progress = 3 (13%)
- 100% progress = 9 (39%)
- 50% progress = 11 (48%)

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1718 H&S 07 Monitoring	▶	High	50%	1st implementation review completed
1718 Cap 02 Asset Management Plan	▶	Medium	50%	1st implementation review completed

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1718 Cap 03 Governance Arrangements	▶	Medium	50%	1st implementation review completed
1718 H&S 03 Proactive Inspection Programme – sept	▶	Medium	50%	1st implementation review completed
1718 H&S 06 Inspections – September	▶	Medium	50%	1st implementation review completed
1718 H&S 10 Incidents Testing	▶	Medium	50%	1st implementation review completed
1718 PM 01 log of projects	▶	Medium	0%	1st implementation review completed
1718 PM 02 standard approach	▶	Medium	50%	1st implementation review completed
1718 PM 03 documentation	▶	Medium	50%	1st implementation review completed
1718 PM 04 Training	▶	Medium	0%	1st implementation review completed
1718 PM 05 standard documentation	▶	Medium	50%	1st implementation review completed
1718 PM 06 Monitoring	▶	Medium	50%	1st implementation review completed
1819 LC 06 Risks	▶	Medium	0%	1st implementation review completed
1819 TM 01 TMP update	⬤	Medium	50%	1st implementation review completed

2nd Implementation Reviews status 1 April to 30 September 2019

Progress

0% progress = 2 (8%)

50% progress = 5 (21%)

100% progress = 17 (71%)

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1718 CIL/S106 10 Allocation and spend of historic S106 funds	🔴	High	50%	2nd implementation review completed

Audit Recommendation Code & Title	Audit Recommendation Status Icon	Audit Recommendation Priority	Audit Recommendation Progress Bar	Audit Recommendation Implementation Status Description
1617 CCBC 09 Testing Business Continuity Plans	▶	Medium	0%	2nd implementation review completed
1617 CCBC 15 Back ups	▶	Medium	0%	2nd implementation review completed
1718 BC 12 location of documents	⬤	Medium	50%	2nd implementation review completed
1718 CIL/S106 02 Delays with S106 agreements	⬤	Medium	50%	2nd implementation review completed
1718 DME 08 Pre-apps written response	⬤	Medium	50%	2nd implementation review completed
1718 Econ Dev 04 Social media	⬤	Medium	50%	2nd implementation review completed