

**REPORT FROM: AUDIT MANAGER**

**TO: ACCOUNTS AND AUDIT COMMITTEE**

**DATES: 18<sup>th</sup> March 2019**

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**INTERNAL AUDIT MONITORING REPORT**

**PURPOSE OF REPORT**

1. The purpose of this report is to provide Members with an update on progress against the Internal Audit activity to the end of February 2019.

**RECOMMENDATION**

2. It is recommended that Members:-
  - a) Note the progress made against the Audit Plan for 2018/19 set out at [Appendix A](#) and agree any adjustments.
  - b) Note the progress made on the implementation of Internal Audit recommendations set out in [Appendix B and C](#).
  - c) Review and approve the Internal Audit Charter & Code of Ethics attached at [Appendix D](#).

**REASONS FOR RECOMMENDATION**

3. To ensure that Members are kept informed of the ongoing progress relating to the Internal Audit activity.

**BACKGROUND**

4. The Accounts and Audit Committee has a clear role in relation to the authority's internal audit function and involves formally approving, but not directing, the overall internal audit strategy, approving the annual audit plan, monitoring progress against that plan and assessing whether resources are available to provide an effective audit function.
5. This report provides an update against the approved audit plan, other matters arising and a progress against implementation of audit recommendations.

## **AUDIT PLAN 2018/19 UPDATE**

6. The Internal Audit Plan for 2018/19 was drawn up using a risk based analysis of the Council's systems and services and an estimate of staff leave and training requirements. The Plan currently comprises a total of 535 days audit time, a chargeable audit resource of 338 days and is estimated to provide risk coverage of 68% of all auditable systems.
7. In order to ensure Members are kept informed of progress made against the Plan, regular monitoring reports are submitted to this Committee for consideration.
8. Attached at **Appendix A** is a summary opinion of work completed on audit areas covering the period April to February 2018. It can be reported that no "Limited Assurance" audit opinions have been issued.
9. There are 12 days allocated within the Audit Plan to review an aspect of Pendle Leisure Trust's activity. An aspect of the Trust's operations will be reviewed towards the end of the financial year in consultation their Management Board.
10. Similarly, 15 days are available in the plan for ICT audits. Discussions have been held with Mersey Internal Audit Agency (MIAA) to review the Council's compliance with the new General Data Protection Regulations (GDPR) and Data Protection Act 2018 and a review of the Idox system. Both reviews are currently in progress.
11. The Audit Manager attended the Lancashire District Chief Auditors Group in January 2019 and relevant audit matters were discussed. Both the Audit Manager and Auditor continue to seek out relevant audit training and development opportunities.
12. As at 28<sup>th</sup> February 2019, a total of 297.3 days of the approved 338 audit days within the plan had been spent. Work is ongoing to complete the audit plan and there were no significant matters arising that impacted on the delivery of the audit plan.

## **Internal Audit Charter**

13. The Council's Internal Audit Charter, which defines Internal Audit's remit within the Council and incorporates Internal Audit's Code of Ethics, has recently been revised and is attached at **Appendix D** for the Committee's review and approval. The revised charter largely acknowledges changes in job titles and roles.

## **RECOMMENDATIONS FOLLOW-UP**

14. In addition, a key role of the Accounts and Audit Committee, as set out in the Terms of Reference of the Committee, is to:-
15. *"To act as a forum to ensure the rapid delivery and implementation of audit recommendations once agreed, ensuring that auditors and officers collaborate effectively"*.
16. It was agreed that the Committee's role in this respect should be discharged by considering an update on the status of implementation of recommendations at each of its meetings.

17. The status on implementation in respect of Priority 1 & 2 recommendations issued in each final report (in some cases superseded) since 1<sup>st</sup> April 2017 is shown below in [Appendix B](#) there are no recommendations outstanding prior to this date.
18. Of 59 (58) recommendations made by Internal Audit, 30 (27) have been implemented and 23 (29) are currently in the process of being implemented by Management. The implementation of recommendations is based upon Management's own assessment except where Internal Audit has formally followed up the recommendations. Mersey Internal Audit Agency (MIAA) has followed up the ICT recommendations made during their 2017-18 work programme. It has been reported that whilst progress has been made in implementing recommendations, 3 were now overdue as MIAA considered these to be partially implemented. MIAA was currently following these up with Management and revised implementation dates had been requested.
19. There are 3, Priority 2 (previously reported) recommendations which are not to be implemented by Management and an explanation has been provided at [Appendix C](#).

## IMPLICATIONS

**Policy:** There are no policy implications arising directly from the contents of this report.

**Financial:** There are no financial implications arising directly from the contents of this report.

**Legal:** The Council has a statutory duty to carry out internal audit of its systems and services, however, there are no direct legal implications arising from this report.

**Risk Management:** There are no risk management implications arising directly from the contents of this report.

**Health and Safety:** There are no health and safety implications arising directly from the contents of this report.

**Climate Change:** There are no climate change implications arising directly from the contents of this report.

**Community Safety:** There are no community safety implications arising directly from the contents of this report.

**Equality and Diversity:** There are no equality and diversity implications arising directly from the contents of this report.

**APPENDICES:** [Appendix A](#) - Internal audit progress 2018/19 Audit Plan  
[Appendix B](#) - Internal audit recommendations database  
[Appendix C](#) - Recommendations not to be implemented  
[Appendix D](#) - Internal Audit Charter & Code of Ethics

## INTERNAL AUDIT PROGRESS 2018/19 AUDIT PLAN

<u>Audit Review</u>	<u>Commenced</u>	<u>Status</u>	<u>Assurance</u>	<u>Target Days</u>	<u>Actual Days</u>	<u>Variation</u>
Investigations & Fraud Work				20		
Creditors & Purchasing	√	Completed	Substantial	13		
Insurance-Review	√	In Progress		8		
Main Accounting System				10		
Treasury Management	√	Completed	Substantial	9	9	
Client Function		In Progress		9		
Procurement				8		
Pearl Contracts				8		
Mobile Phones	√	Completed	Substantial	8	8	
Land Charges	√	Completed	Substantial	8	8	
Members & Mayor's Allowances	√	Completed	Full	7	7	
Post - Council/No.1	√	Completed	Full	8	9	1
Business Support & Grants	√	Completed	Substantial	7	7	
Property Improvement Grants	√	Completed	Substantial	9	9	
Womens Refuge	√	Completed	Substantial	8	8	
Fixed Penalty Fines	√	Completed	Substantial	7	7	
Payroll & Establishment				12		
Liberata - ICT Audits	√	In Progress		15		
Leisure Trust				12		
Cleansing Sundry Income	√	Completed	Substantial	8	8	
Corporate Health and Safety				9		
Cemeteries	√	Completed	Substantial	7	7	
Vehicles, Plant & Salvage				10		
Planning Fees	√	In progress		8		
Licensing	√	In progress		9		
Hackneys and Private Hire	√	Completed	Substantial	9	9	
Liberata - Markets	√	Completed	Substantial	8	8.3	0.3
Liberata - Sundry Debtors	√	In progress		15		
Liberata - Housing Benefits	√	In progress		30		
Liberata - Income & Reconciliation	√	In progress		11		
Liberata - Council Tax	√	In progress		14		
Liberata - NNDR	√	In progress		14		
				338		1.3

**Classifications**

At the conclusion of each audit an overall opinion is given on the level of assurance which it is considered is provided by the controls in place within the audited system. The following classification of assurance levels has been adopted:

<b>Level</b>	<b>Definition</b>
1. Full Assurance	The controls appear to be consistently applied.
2. Substantial Assurance	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
3. Limited Assurance	The level of non-compliance identified places the system objectives at risk.
4. None	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

## Internal Audit Recommendations Database

<b>Priority 1 Recommendations</b>						
<b>Service Grouping</b>	Total	Implemented	In progress	Overdue	Not advised	Not to be Implemented
Corporate	0	0	0	0	0	0
Financial Services	0	0	0	0	0	0
Democratic and Legal	0	0	0	0	0	0
HH Services & Eco Regeneration	1	1	0	0	0	0
Neighbourhood Services	0	0	0	0	0	0
Planning, Building Control & Licensing	0	0	0	0	0	0
Environmental Services	0	0	0	0	0	0
Human Resources	0	0	0	0	0	0
ICT	1	0	0	1	0	0
Property Services	0	0	0	0	0	0
Treasury Services	0	0	0	0	0	0
Leisure Trust	0	0	0	0	0	0
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Percentage</b>		<b>50.00%</b>	<b>0.00%</b>	<b>50.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Previous Report</b>	<b>2</b>	<b>50.00%</b>	<b>50.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

<b>Priority 2 Recommendations</b>						
<b>Service Grouping</b>	Total	Implemented	In progress	Overdue	Not advised	Not to be Implemented
Corporate	0	0	0	0	0	0
Financial Services	9	2	7	0	0	0
Democratic and Legal	4	2	0	0	0	2
HH Services & Eco Regeneration	10	9	0	0	0	1
Neighbourhood Services	5	1	4	0	0	0
Planning and Building Control	8	4	4	0	0	0
Environmental Services	2	0	2	0	0	0
Human Resources	11	6	5	0	0	0
ICT	5	3	0	2	0	0
Property Services	2	1	1	0	0	0
Treasury Services	1	1	0	0	0	0
Leisure Trust	0	0	0	0	0	0
<b>TOTAL</b>	<b>57</b>	<b>29</b>	<b>23</b>	<b>2</b>	<b>0</b>	<b>3</b>
<b>Percentage</b>		<b>50.88%</b>	<b>40.35%</b>	<b>3.51%</b>	<b>0.00%</b>	<b>5.26%</b>
<b>Previous Report</b>	<b>56</b>	<b>45.61%</b>	<b>49.12%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>5.26%</b>

### **KEY**

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management. (MIAA – Critical/High)	Follow-up will be performed at specific dates agreed with senior management. The implementation of the recommendation will also be monitored quarterly in the IARD.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility. (MIAA – Medium)	Follow-up of the recommendations will be performed by the end of the next audit year. The implementation of the recommendation will also be monitored quarterly in the IARD.

#### **Implemented**

Management has advised recommendation implemented. In some cases this may have been confirmed by IA.

#### **In Progress**

Management has advised that implementation is in progress.

#### **Overdue**

Management has advised that implementation is in progress where the agreed deadline has passed.

#### **Not Advised**

Management has not indicated current position on the database.

#### **Not to be Implemented**

Recommendations where Management has advised that an agreed recommendation is not now to be implemented. These will be advised to Committee within our Progress Reports.

**Recommendations not to be implemented (previously reported)**

Rec No.	Service Grouping	Audit report	Report date	Recommendation	Comments by Management
3	Democratic and Legal Services	Freedom of Information	Jan-18	Use of Covalent system to ensure efficiency and accuracy in recording, monitoring and reporting of FOI Requests.	Not to be implemented at this stage as responses times have improved will revisit this recommendation following results of the next 2 quarters.
2	HH Services & Eco Regeneration	Town Centre Grants	Jul-17	For town centre grant applications received for projects in Barrowford; a formal delegated authority for Officers to approve applications is drawn up to allow consistency in the approval process from each Area Committee.	Not applicable, as funding isn't available in Barrowford for the coming financial year. If funding is made available in the future a suitable approval panel/nomination will be put in place.
2	Democratic and Legal Services	Land charges	Aug-18	Action should be taken to resolve the current issues with IT support surrounding the operation of the Local Land Charges system (SWIFT) to minimise downtime which affects the ability of the Council's Local Land Charges function in providing an efficient service.	Not to be implemented as no longer applicable due to implementation of the IDOX system.