

**REPORT FROM: AUDIT MANAGER**

**TO: ACCOUNTS AND AUDIT COMMITTEE**

**DATES: 24<sup>th</sup> SEPTEMBER, 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 August 2019.

**RECOMMENDATION**

2. It is recommended that Members:-
  - a) Note the progress made against the Audit Plan for 2019/20 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](#).

**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 2019/20 UPDATE**

6. The Internal Audit Plan for 2019/20 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 336 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 August 2019. 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 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) and Council's IT Business Continuity Arrangements and Remote/Mobile, these reviews will commence in the 3rd and 4th quarters.
11. The Audit Manager and Auditor recently hosted the Lancashire District Computer Audit Group and relevant audit matters were discussed. Both the Audit Manager and Auditor continue to seek out relevant audit training and CPD development opportunities.
12. As at 31<sup>st</sup> August 2019, a total of 138.5 days of the approved 336 audit days within the plan had been spent. Work is ongoing to complete the audit plan and there were no significant matters arising that may impact on the delivery of the audit plan.

## **RECOMMENDATIONS FOLLOW-UP**

13. In addition, a key role of the Accounts and Audit Committee, as set out in the Terms of Reference of the Committee, is to:-  
  
*"To act as a forum to ensure the rapid delivery and implementation of audit recommendations once agreed, ensuring that auditors and officers collaborate effectively".*
14. 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.
15. 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 2018 is shown below in **Appendix B** there are no recommendations outstanding prior to this date.
16. Of 83 (79) recommendations made by Internal Audit, 13 (12) have been implemented and 66 (63) 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.

17. Mersey Internal Audit Agency (MIAA) has been tasked to follow up implementation of recommendations of reviews they have completed. There are 3 outstanding recommendations MIAA has previously judged to have been partially implemented these are in the process of being subject to management review and implementation will be confirmed by MIAA as part of their work programme for 2019/20.
18. There is 1, Priority 2 recommendation (for information as previously reported) which is 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 2019/20 Audit Plan  
                         [Appendix B](#) - Internal audit recommendations database  
                         [Appendix C](#) - Recommendations not to be implemented

**INTERNAL AUDIT PROGRESS 2019/20 AUDIT PLAN**

Service	Audit Review	Commenced	Status	Assurance	Target Days	Actual Days	Variation
Financial Services	Investigations & Fraud Work	In progress	√		15	3.3	
Financial Services	Creditors & Purchasing				13		
Financial Services	Insurance-Review				8		
Financial Services	Main Accounting System				10		
Financial Services	Treasury Management				9		
Financial Services	Client Function				9		
Financial Services	Procurement	In progress	√		8	6.5	
Financial Services	Pearl Contracts				8		
Corporate	Elections & Electoral Registration				8		
Legal Services	Land Charges				8		
Democratic Services	Freedom of Information	In progress	√		8	7	
Housing H E	Env Health - Pest Control	In progress	√		7	7	
Housing H E	Immigration Inspections	In progress	√		7	7	
Housing H E	Disabled Facilities Grants				9		
Housing H E	Homelessness	Completed	√	Substantial	7	8	1
Housing H E	Parking Enforcement	Draft	√	Substantial	8	9	1
HR	Payroll & Establishment	In progress	√		12	10	
HR	Flexitime System	In progress	√		8	7	
HR	Staff Allowances/Expenses				7		
IT	IT Audits				15		
Leisure Trust	Leisure Trust				12		
Environmental Services	Corporate Health and Safety	Draft	√	Substantial	9	9	
Environmental Services	Stock - Waste containers	In progress	√		7	6.2	
Environmental Services	Cemeteries	Draft	√	Substantial	7	7	
Environmental Services	Vehicles, Plant & Salvage	Completed	√	Substantial	10	11	1
Planning	Section 106 Agreements	In progress	√		8	7.5	
Planning	Licensing	In progress	√		9	8	
Planning	Hackneys and Private Hire	In progress	√		9	8	
Property Services	Industrial & Commercial Rents	Completed	√	Full	8	8	
Property Services	Land and Property	In progress	√		10	9	
Treasury Services	Housing Benefits				30		
Customer Services	Collection of Income & Reconciliation				10		
Treasury Services	Council Tax				13		
Treasury Services	NNDR				12		
					338	138.5	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>	<b>Total</b>	<b>Implemented</b>	<b>In progress</b>	<b>Overdue</b>	<b>Not advised</b>	<b>Not to be Implemented</b>
Corporate	12	0	12	0	0	0
Financial Services	1	1	0	0	0	0
Democratic and Legal	0	0	0	0	0	0
HH & Engineering Services	0	0	0	0	0	0
Planning, Economic Dev & Reg Services	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	5	0	5	0	0	0
Leisure Trust	0	0	0	0	0	0
<b>TOTAL</b>	<b>19</b>	<b>1</b>	<b>17</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Percentage</b>		5.26%	89.47%	5.26%	0.00%	0.00%
<b>Previous Report</b>	<b>2</b>	<b>5.26%</b>	<b>89.47%</b>	<b>5.26%</b>	<b>0.00%</b>	<b>0.00%</b>

<b>Priority 2 Recommendations</b>						
<b>Service Grouping</b>	<b>Total</b>	<b>Implemented</b>	<b>In progress</b>	<b>Overdue</b>	<b>Not advised</b>	<b>Not to be Implemented</b>
Corporate	11	0	11	0	0	0
Financial Services	13	1	11	0	0	1
Democratic and Legal	1	1	0	0	0	0
HH & Engineering Services	12	5	7	0	0	0
Planning, Economic Dev & Reg Services	6	2	4	0	0	0
Environmental Services	5	0	5	0	0	0
Human Resources	2	0	2	0	0	0
ICT	5	3	0	2	0	0
Property Services	1	0	1	0	0	0
Treasury Services	8	0	8	0	0	0
Leisure Trust	0	0	0	0	0	0
<b>TOTAL</b>	<b>64</b>	<b>12</b>	<b>49</b>	<b>2</b>	<b>0</b>	<b>1</b>
<b>Percentage</b>		18.75%	76.56%	3.13%	0.00%	1.56%
<b>Previous Report</b>	<b>60</b>	<b>18.33%</b>	<b>76.67%</b>	<b>3.33%</b>	<b>0.00%</b>	<b>1.67%</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.

<b>Implemented</b>	Management has advised recommendation implemented. In some cases this may have been confirmed by IA.
<b>In Progress</b>	Management has advised that implementation is in progress.
<b>Overdue</b>	Management has advised that implementation is in progress where the agreed deadline has passed.
<b>Not Advised</b>	Management has not indicated current position on the database.
<b>Not to be Implemented</b>	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.

## Appendix C

### Appendix C - Recommendations not to be implemented

Rec No.	Service Grouping	Audit report	Report date	Recommendation	Comments by Management
1	Financial Services	Creditors and Purchasing	Mar-19	The BACS file should be encrypted to ensure data is secure before processing. That following the receipt of the BACSTEL-IP submission report, an independent member of staff in Accountancy (not responsible for file processing) checks and signs off the report.	We have not heard of anyone encrypting the bacs file from creditors. Some Authorities include the date and time to the export filename. Also as the file being exported from Creditors has to be read by the bacs transmissions software that you use, then that software would define the format of file that it would expect to read in. The BACS file created from Creditors is not usually kept in the Financials Export Old area so no copy would be kept.