

Internal Audit Progress Report

December 2018

New Forest District Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards - updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations 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’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

2. Purpose of report

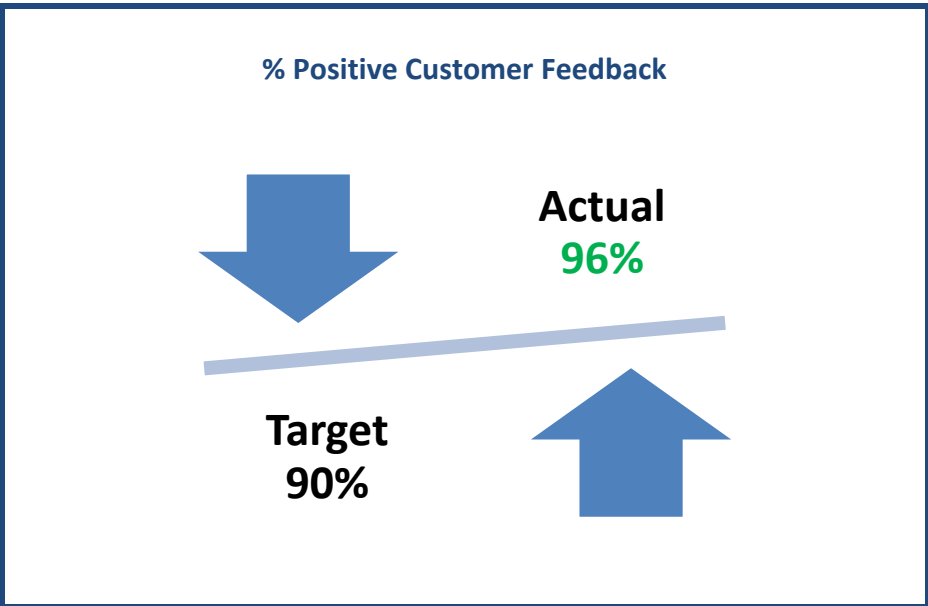
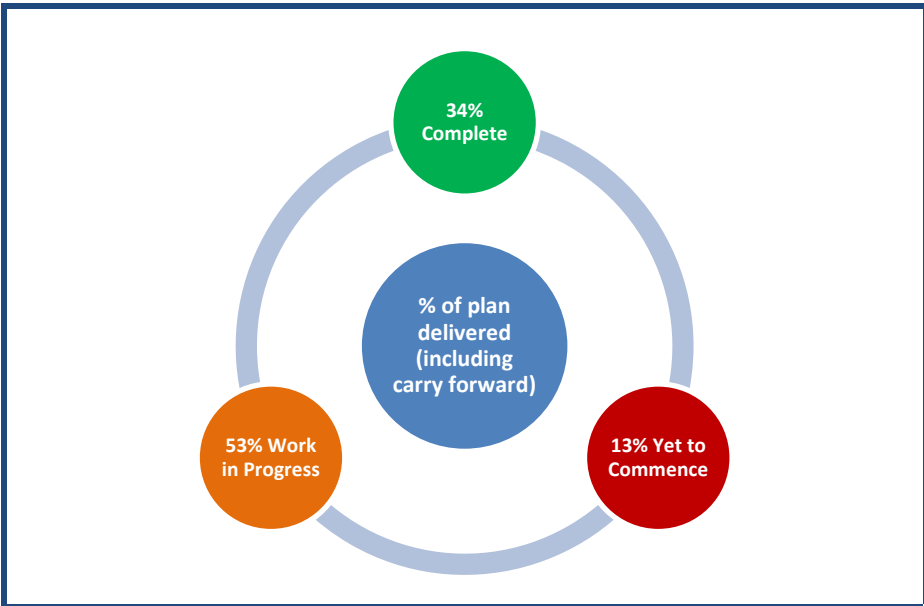
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).</i></p> <p>In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.</p>

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
<p>There are 23 outstanding actions from 8 audits relating to reviews completed prior to the 2017/18 audit plan. These actions will be tracked through to completion or on occasion, obsolescence if, for example, they are superseded by alternative actions to address the issues identified. Of the 23 outstanding actions, four are high priority and relate to the following areas:-</p> <ul style="list-style-type: none"> • ICT – VM upgrade. Current progress - The servers are being replaced. In the interim, to address current issues, more memory has been added to the servers, which has increased stability and taken the pressure off for the short term. All servers are planned to be running on the new virtual environment by the end of Jan 2019. • Payment Card Industry Data Security Standards (PCI DSS) Compliance. Current progress – There are elements of the current financial system and telephony system that are non-compliant. These systems are due to be replaced in 2019. • Business Continuity. Current progress – An initial Business Impact Analysis (BIA) has been completed with Service Managers. A proposed critical activity list has been developed and discussed with EMT. The critical activity list will be reviewed and will inform an in-depth BIA process with the aim to test Business Continuity Plans and the Emergency Response Plan during an annual exercise planned during the Spring 2019. This will be followed up by Internal Audit as part of in 2019/20 audit plan. 								
(Housing) Estates Management 2017/18 **	Sep-17	SM (HM)	Reasonable*	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
VAT 2017/18 **	Nov-17	HoF	Reasonable*	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)
Accounts Payable 2017/18 **	Dec-17	HoF	Reasonable*	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Health and Leisure Centres 2017/18	Jan-18	SM (H&L)	Limited*	35 (5)	0 (0)	0 (0)	32 (5)	3 (0)
Resident Involvement 2017/18	Jan-18	SM (EM&S)	Reasonable*	4 (0)	0 (0)	1 (0)	3 (0)	0 (0)
Trees (Council Owned) 2017/18 **	Feb-18	SM (OP)	Reasonable*	9 (1)	0 (0)	0 (0)	9 (1)	0 (0)

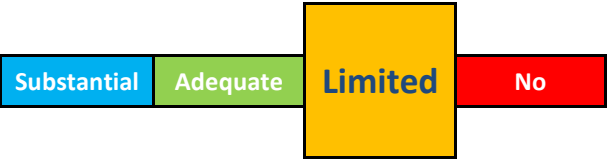

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Income 2017/18	Mar-18	SM (BI&CS)	Reasonable*	10 (0)	0 (0)	2 (0)	8 (0)	0 (0)
Asset Management 2017/18 **	Mar-18	SM (E&V)	Substantial*	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
Sundry Income (AR) 2017/18	Mar-18	HoF	Substantial*	5 (0)	0 (0)	1 (0)	4 (0)	0 (0)
Payroll (inc NFNPA testing, T&S Members, Allowances & Expenses) 2017/18	Jul-18	HoF / SM (HR)	Reasonable*	2 (0)	0 (0)	1 (0)	1 (0)	0 (0)
Vehicle and Plant Maintenance/Transport & Fleet Management System 2017/18	Jul-18	SM (W&T)	Reasonable*	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
Disabled Adaptation Funding **	Oct-18	SM (E&R)	Adequate	5 (0)	0 (0)	0 (0)	5 (0)	0 (0)
Environmental Services - Trade Waste	Oct -18	SM (W&T)	Limited	18 (5)	0 (0)	18 (5)	0 (0)	0 (0)
Accounts Payable	Nov- 18	HoF	Adequate	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
NNDR **	Nov- 18	SM (R&B's)	Substantial	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
Council Tax **	Nov- 18	SM (R&B's)	Substantial	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)

* Please see Annex A for the audit assurance opinion definitions in place prior to SIAP

** Denotes audits where all actions have been completed since the last progress report

Audit Sponsor	
Service Manager (Business Improvement & Customer Services)	SM (BI&CS)
Head of Finance	HoF
Service Manager (Estates & Valuation)	SM (E&V)
Service Manager (Human Resources)	SM (HR)
Service Manager (Legal)	SM(L)
Service Manager (Democratic Services & Member Support)	SM (DS&MS)
Service Manager (Estate Management & Support)	SM (EM&S)
Service Manager (Revenues & Benefits)	SM (R&B)
Service Manager (ICT)	SM (ICT)
Service Manager (Housing Options)	SM (HO)
Service Manager (Housing Maintenance)	SM (HM)
Service Manager (Environmental & Regulation)	SM (E&R)
Service Manager (Health & Leisure)	SM (H&L)
Service Manager (Waste & Transport)	SM (W&T)
Service Manager (Coastal & Public Facilities)	SM (C&PF)
Service Manager (Open Spaces)	SM (OS)

5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

Environmental Services – Trade Waste		
<p>Audit Sponsor: Chris Noble, Service Manager, Waste and Transport</p> <p>Key Contacts: Hannah Neale, Trade Waste Administrator Samantha Marrache, Administration Supervisor.</p> <p>Final Report Issued: 26/10/2018</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations: Following both management and service administration staffing changes, the new Service Manager identified areas of weakness and requested Internal Audit complete an end to end process review, with a specific focus on the costing elements, to help inform a Service review and the development of a new Service Plan.</p> <p>There are known issues with the accuracy of disposal data which informs the charges paid to Hampshire County Council. The Service Manager is keen to address the issue and had initiated a sound sampling process/methodology to enhance data accuracy (e.g. average weight of bags/bins) which was still in progress at the time of the review. The accuracy of data and practice of co-collection with domestic waste has resulted in the costs of the service not being fully understood. Although uplifted annually, charges have not been reviewed to ensure they cover costs therefore it is not clear whether the service is making a surplus or loss.</p> <p>The customer database does not link to other systems, such as finance and stock control, and, as a consequence, some issues were identified with invoicing, debtors, and the availability and accuracy of management information. Trade Waste customers are not issued with contracts or any terms and conditions and as such, often start, change or cease services without notice and at a potential cost to the Council. The review found some sales of trade waste sacks to unregistered traders.</p>		

6. Planning & Resourcing

The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

The Internal Audit Plan for 2018-19 was discussed by EMT on 20 February 2018 and approved by the Audit Committee on 23 March 2018. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Corporate / Cross Cutting									
Programme and Project Management	SM (BI&CS)	✓						✓	
Financial Stability	HoF	✓						✓	
Income Generation & Commercialisation	SM (E&V)							✓	Q4
Working in Partnership	SM (BI&CS)							✓	Q4
Corporate Governance									

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Human Resources	SM (HR)	✓	✓					✓	
Fraud & Irregularities	HoF	✓	n/a	✓				✓	
Procurement	SM (L)	✓	✓					✓	
Contract Management	SM (L)	✓	✓					✓	
Information Governance	SM (L)	✓	✓	✓	✓			✓	
Ethical Governance	SM (DS&MS)	✓	✓	✓				✓	
Risk Management	SM (BI&CS)	✓	✓	✓				✓	
Financial Management									
Housing Rents	SM (EM&S)	✓	✓	✓	✓	✓	Substantial	✓	
Housing Benefits	SM (R&B)	✓	✓	✓	✓	✓	Substantial	✓	
Council Tax	SM (R&B)	✓	✓	✓	✓	✓	Substantial	✓	
Accounts Payable	HoF	✓	✓	✓	✓	✓	Adequate	✓	
Accounts Receivable / Debt Management	SM (R&B)	✓	✓	✓	✓	✓	Substantial	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Main Accounting	HoF	✓	✓	✓				✓	
Treasury Management	HoF	✓	✓	✓	✓	✓	Substantial	✓	
NNDR	SM (R&B)	✓	✓	✓	✓	✓	Substantial	✓	
Payroll	HoF / SM (HR)	✓						✓	
Income Collection	SM (BI&CS)	✓	✓					✓	
Information Technology									
IT Strategy and assurance mapping	SM (ICT)	✓	n/a	✓	n/a	n/a	n/a	✓	
Business Continuity / Disaster Recovery Planning	SM (ICT)	✓	✓					✓	
ICT Programme / Project Management	SM (ICT)	✓	✓	✓	✓			✓	
PCI DSS (Kisoks)	SM (ICT)	✓	n/a	✓	n/a	n/a	n/a	✓	Advisory role
Portfolio Themes									
Homelessness & Affordable Housing	SM (HO)	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Housing Asset Management	SM (HM)							✓	Q4
Housing Finance	SM (EM&S)	✓						✓	
Disabled Adaptation Funding	SM (E&R)	✓	✓	✓	✓	✓	Adequate	✓	
Health & Leisure Facilities	SM (H&L)							✓	Q4
Environmental Services - Trade Waste	SM (W&T)	✓	✓	✓	✓	✓	Limited	✓	
Development / Building Control	SM (C&PF)	✓						✓	

Plan variations:-

Licensing – Defer the audit to 2019/20 due to pending legislative changes and staffing changes within the team.

Establishment Reviews – Defer the audit – use the outcomes of 2018/19 audit work to inform potential scope or assess whether a review is necessary.

Annex A

Audit Assurance Opinion Definitions in place prior to SIAP

Substantial - A strong system of internal controls, designed and operating effectively.

Reasonable - A sound system of internal controls; but one where minor weaknesses were found in the system design, or lack of compliance to the design;

Limited - Some weakness was identified in the overall system of controls, or the level of compliance resulted in risk to the achievement of system objectives;

No - Fundamental weakness was identified within one or more key controls, or controls were not operating effectively which may put at risk the achievement of the corporate control objective.