

Internal Audit Progress Report

September 2019

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

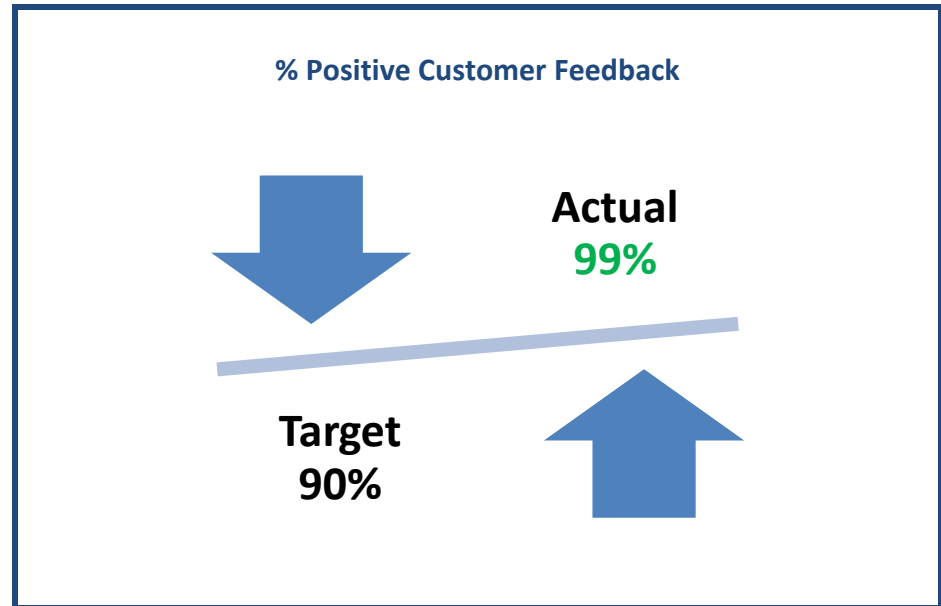
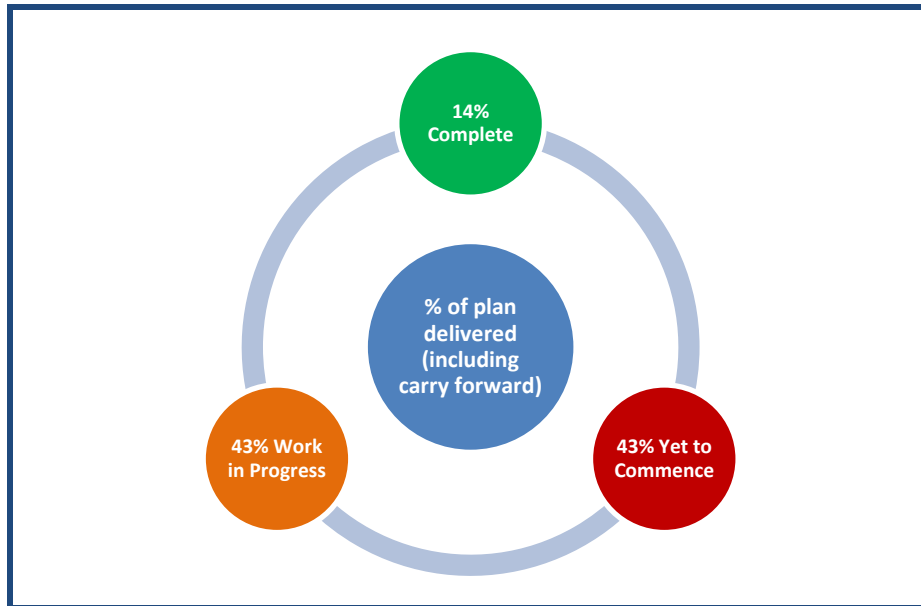
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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



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:

*'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).*

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.

4. Status of 'Live' Reports

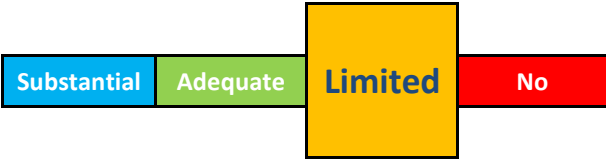
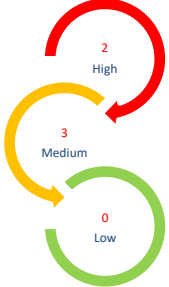
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
<p>There are 18 outstanding actions relating to four audits completed by the in-house team prior to the move to SIAP (previous reported position was 28 actions from 11 audit areas). 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 18 outstanding actions, four are high priority and relate to the following areas:-</p> <ul style="list-style-type: none"> • 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. 								
Environmental Services - Trade Waste	Oct -18	SM (W&T)	Limited	18 (5)	0 (0)	6 (1)	11 (4)	1 (0)
Information Governance*	Jan-19	SM (L)	Adequate	2 (1)	0 (0)	0 (0)	2 (1)	0 (0)
ICT Programme / Project Management*	Jan-19	SM (ICT)	Adequate	6 (0)	0 (0)	0 (0)	6 (0)	0 (0)
Ethical Governance*	Mar-19	SM (DS&MS)	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Risk Management	Mar-19	SM (BI&CS)	Adequate	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)
Main Accounting	Mar-19	HoF	Substantial	4 (1)	0 (0)	0 (0)	3 (1)	1 (0)
Housing Options – Homelessness*	Apr-19	SM (HO)	Adequate	10 (4)	0 (0)	0 (0)	10 (4)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Payroll*	May-19	SM (HR)	Adequate	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
Income Collection	May-19	SM (BI&CS)	Adequate	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)
Contract Management*	Jun-19	SM (L)	Adequate	3 (1)	0 (0)	0 (0)	3 (1)	0 (0)
Development / Building Control*	Jun-19	SM (C&PF)	Adequate	4 (1)	0 (0)	0 (0)	4 (1)	0 (0)
Procurement	Jun-19	SM (L)	Adequate	4 (0)	0 (0)	1 (0)	3 (0)	0 (0)
Working in Partnership	Jun-19	SM (BI&CS)	Adequate	8 (3)	0 (0)	1 (1)	5 (2)	2 (0)
Housing Asset Management – Lift Inspection and Maintenance	Jul-19	SM (HMOPs)	Limited	5 (2)	0 (0)	4 (1)	1 (1)	0 (0)

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

Audit Sponsor		Audit Sponsor	
Service Manager (Business Improvement & Customer Services)	SM (BI&CS)	Service Manager (Housing Maintenance Operations)	SM (HMOps)
Head of Finance	HoF	Service Manager (Housing Maintenance Asset & Compliance)	SM (HMA&C)
Service Manager (Estates & Valuation)	SM (E&V)	Service Manager (Environmental & Regulation)	SM (E&R)
Service Manager (Human Resources)	SM (HR)	Service Manager (Health & Leisure)	SM (H&L)
Service Manager (Legal & Procurement)	SM(L&P)	Service Manager (Waste & Transport)	SM (W&T)
Service Manager (Democratic Services & Member Support)	SM (DS&MS)	Service Manager (Coastal & Public Facilities)	SM (C&PF)
Service Manager (Estate Management & Support)	SM (EM&S)	Service Manager (Open Spaces)	SM (OS)
Service Manager (Revenues & Benefits)	SM (R&B)	Service Manager (Planning Management Development)	SM (PMD)
Service Manager (ICT)	SM (ICT)	Service Manager (Streetscene)	SM (S)
Service Manager (Housing Options)	SM (HO)	Service Manager (Estates, Valuation & Investment Property)	SM (EV&IP)

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

Housing Asset Management – Lift Inspection and Maintenance		
<p>Audit Sponsor: Ritchie Thomson – Service Manager, Housing Maintenance Operations</p> <p>Key Contacts: Richard Fudge – Service Manager, Housing Maintenance Asset & Compliance</p> <p>Final Report Issued: 10/07/2019</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>All lifts installed prior to 2009 are the responsibility of the Council with anything after this date the responsibility of the tenant. The Facilities Management (FM) Team maintained a list of all lifts requiring inspection, which comprised of approximately 40 appliances inspected under contract with Zurich, with the FM Team retaining responsibility for managing inspections and any subsequent follow-up actions.</p> <p>Following staff changes and in preparation for the retendering of the lift inspection contract, inconsistencies were identified between data sources therefore a reconciliation of the various housing databases holding information on lifts located within Council Housing was completed by the Maintenance Strategy and Compliance Officer. This reconciliation was also compared to the FM Team routine maintenance and inspection schedule and Zurich Records which identified that approximately 100 additional domestic lifts were retained within the Council housing stock that were not part of the inspection schedule. At the time of the audit, the reconciliation and cleansing of database records had not been fully completed and the newly identified lifts had not been inspected.</p> <p>The audit also found that the lifts covered by the inspection contract with Zurich were not consistently inspected within the required review periods although once completed, lift inspection detail was received promptly from Zurich, which ensured the Council received timely notification of issues for resolution. At the time of the review, there were no formal meetings undertaken between the Council and the contractor for lift inspections therefore ongoing review of the contract was limited.</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 2019-20 was discussed by EMT on 19 March 2019 and approved by the Audit Committee on 29 March 2019. 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
Carried forward reviews 18/19 Opinion									
Programme and Project Management	SM (BI&CS)	✓	✓	✓	✓		Adequate		18/19 Opinion
Working in Partnership	SM (BI&CS)	✓	✓	✓	✓	✓	Adequate	✓	18/19 Opinion
Procurement	SM (L)	✓	✓	✓	✓	✓	Adequate	✓	18/19 Opinion
Contract Management	SM (L)	✓	✓	✓	✓	✓	Adequate	✓	18/19 Opinion
Development / Building Control	SM (C&PF)	✓	✓	✓	✓	✓	Adequate	✓	18/19 Opinion

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Reviews 19/20 Opinion									
Corporate / Cross Cutting									
Financial Stability	HoF	✓						✓	
Asset Management (Appletree Property Holdings)	SM (EV&IP)							✓	Q3
Information Governance	SM (L&P)	✓						✓	
Corporate governance									
HR – Absence Management	SM (HR)	✓	✓	✓	✓			✓	
HR – Recruitment & Training	SM (HR)							✓	Q4
Fraud & Irregularities	HoF							✓	Q3
Health & Safety	SM (E&R)	✓						✓	
Business Continuity & Emergency Planning	SM (EM&S)							✓	Q3/Q4
Core Financial Systems									
Accounts Payable	HoF							✓	Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Accounts Receivable / Debt Management	HoF							✓	Q4
Main Accounting	HoF							✓	Q4
Payroll	SM (HR)	✓	✓	✓				✓	
Income Collection	HoF							✓	Q3
Taxation (VAT)	HoF							✓	Q4
New Finance System implementation	HoF	✓	✓	✓				✓	
Information Technology									
Software licensing / Management of assets	SM (ICT)							✓	Q3
Cyber security	SM (ICT)	✓						✓	
Business Continuity / Disaster Recovery Planning	SM (ICT)							✓	Q4
Service Desk and Incident Management	SM (ICT)	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
PCI DSS consultancy	SM (ICT)	n/a	n/a	✓				✓	On-going advisory role
Web Payments Outage*	SM (ICT) & HoF	✓	n/a	✓	✓	✓	n/a	✓	Position Statement - Advice
Portfolio Themes									
Fleet Management	SM (W&T)	✓	✓	✓				✓	
Homelessness & Affordable Housing	SM (HO)							✓	Q3-4
Housing Asset Management – Lift Maintenance	SM (HM)	✓	✓	✓	✓	✓	Limited	✓	NB review carried forward from 18/19
Housing Asset Management	SM (HM)							✓	Q4
Housing Finance	SM (HO)							✓	Q3-4
Housing Maintenance – Supply Chain Arrangements*	SM (HM)							✓	Q3-4
Sports & Health Development	SM (H&L)							✓	Q3
Environmental Services (Trade Waste) – Follow Up Review	SM (W&T)	✓	✓	✓				✓	
Environmental and Regulation – (Food & Safety and Environmental Protection)	SM (E&R)	✓	✓	✓	✓			✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Licensing	SM (E&R)	✓						✓	
Planning (incl. Community Infrastructure Levy)	SM (PMD)							✓	Q4
Parking & Enforcement	SM (S)	✓	✓	✓	✓			✓	
Land Charges	SM (PMD)	✓						✓	
Grants Awarded	HoF	✓	✓	✓				✓	
Community Safety	SM (EM&S)	✓						✓	
Lease Income*	SM (EV&IP)							✓	Q3

Audit reviews added to the plan (included in rolling work programme above)

Lease Income*	Management request to bring forward review as lease income has not been reviewed during the last 3 years or since the move from manual to electronic system for managing leases. Audit to include lease renewals, rent reviews etc.
Housing Maintenance – Supply Chain Arrangements*	Requested by management. Audit to include end to end process for supply of goods / consumables to support housing maintenance and repairs.
Web Payments Outage*	Independent assessment/critical friend role requested by management into causes of outage and proposed future mitigations.

Proposed *

Audit reviews removed from the plan (excluded from rolling work programme above)	
Corporate Plan*	Review in 20/21 once new Corporate Plan has been approved and performance frameworks are aligned to delivery of the new plan.
Transformation*	There is no formal transformation plan so cover under individual reviews of significant projects were required.
Establishment reviews*	No management concerns at present and lower risk reviews therefore utilise audit time on higher priority reviews.

Proposed *