

Internal Audit Progress Report

December 2019

New Forest District Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Status of 'live' reports	6 – 8
5.	Executive summaries 'Limited' and 'No' assurance opinions	9
6.	Planning and resourcing	9
7.	Rolling work programme and plan variations	9 - 14

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

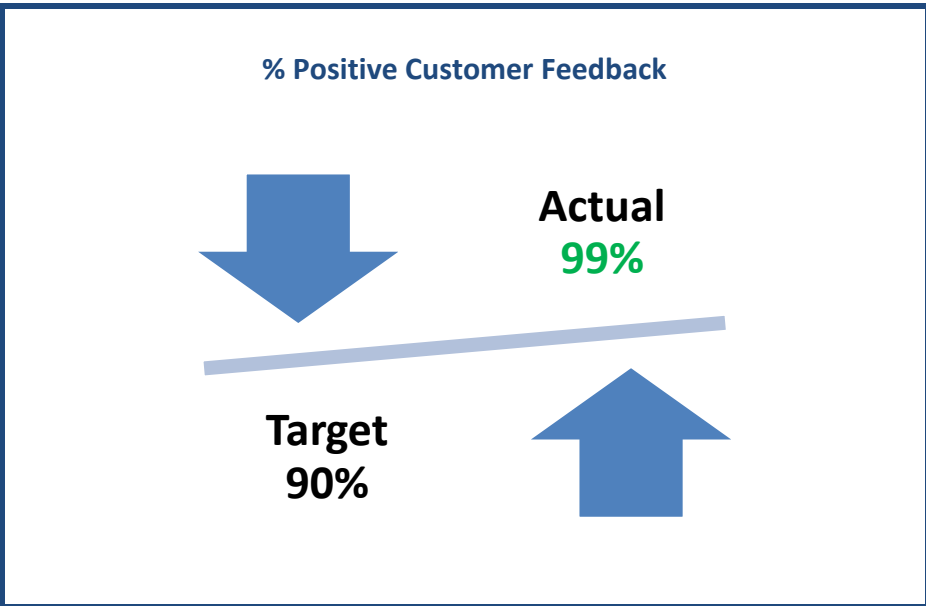
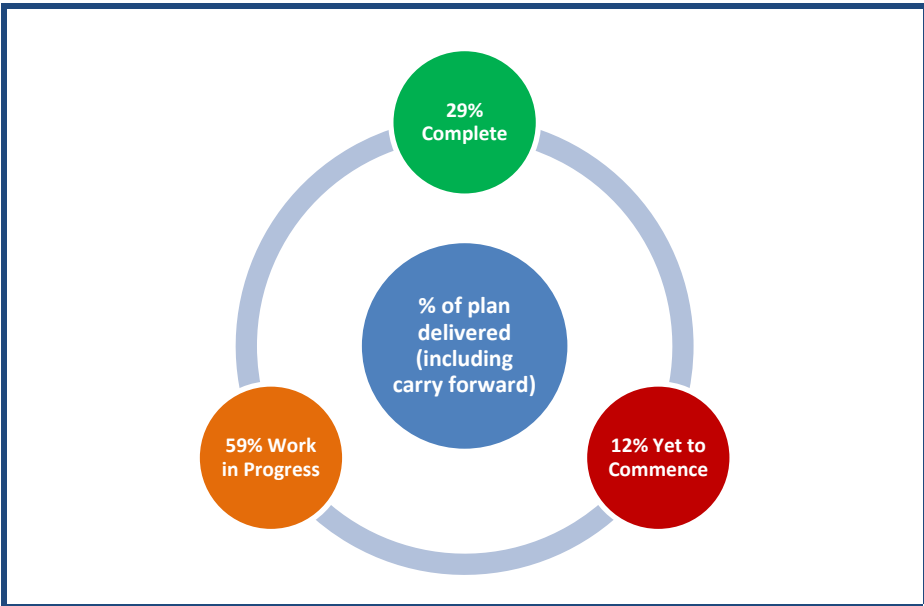
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:


- 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 17 outstanding actions relating to four audits completed by the in-house team prior to the move to SIAP (previous reported position was 18 actions from 4 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 17 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 2020. • Business Continuity. Current progress – an external review of the Council's Business Continuity and Emergency Planning arrangements has been commissioned. The outcomes of the review will inform actions to improve the current arrangements and address outstanding issues. This will be followed up by Internal Audit once implemented and embedded. <p>There is a further overdue high priority action as follows:-</p> <ul style="list-style-type: none"> • Working in Partnership (New Forest Business Partnership – Governance arrangements). Current progress – Progress is being made to formalise the partnership arrangements which will address the issues identified once finalised and implemented. 								
Environmental Services - Trade Waste	Oct -18	SM (W&T)	Limited	18 (5)	0 (0)	1 (1)	17 (4)	0 (0)
Risk Management	Mar-19	SM (BI&CS)	Adequate	1 (0)	0 (0)	0 (0)	0 (0)	1 (0)
Main Accounting	Mar-19	HoF	Substantial	4 (1)	0 (0)	0 (0)	3 (1)	1 (0)
Income Collection	May-19	SM (BI&CS)	Adequate	1 (0)	0 (0)	0 (0)	0 (0)	1 (0)
Procurement	Jun-19	SM (L&P)	Adequate	4 (0)	0 (0)	0 (0)	3 (0)	1 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Working in Partnership	Jun-19	SM (BI&CS)	Adequate	8 (3)	0 (0)	0 (0)	5 (2)	3 (1)
Housing Asset Management – Lift Inspection and Maintenance	Jul-19	SM (HMA &C)	Limited	5 (2)	0 (0)	0 (0)	3 (2)	2 (0)
Environmental and Regulation – (Food & Safety and Environmental Protection)	Oct-19	SM (E&R)	Adequate	2 (0)	0 (0)	1 (0)	1 (0)	0 (0)
HR – Absence Management*	Oct-19	SM (HR)	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Programme and Project Management	Nov-19	HoF	Adequate	6 (4)	0 (0)	5 (3)	1 (1)	0 (0)
Parking and Enforcement	Nov-19	SM (S)	Adequate	6 (0)	0 (0)	6 (0)	0 (0)	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 (HMO)
Head of Finance	HoF	Service Manager (Housing Maintenance – Asset and Compliance)	SM (HMAC)
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

There have been no ‘Limited’ or ‘No’ assurance opinion reports issued since the previous progress report in October 2019.

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	HoF	✓	✓	✓	✓	✓	Adequate	✓	18/19 Opinion
Working in Partnership	SM (BI&CS)	✓	✓	✓	✓	✓	Adequate	✓	18/19 Opinion
Procurement	SM (L&P)	✓	✓	✓	✓	✓	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
Contract Management	SM (L&P)	✓	✓	✓	✓	✓	Adequate	✓	18/19 Opinion
Development / Building Control	SM (C&PF)	✓	✓	✓	✓	✓	Adequate	✓	18/19 Opinion
Reviews 19/20 Opinion									
Corporate / Cross Cutting									
Financial Stability	HoF							✓	Q4
Asset Management (Appletree Property Holdings)	SM (EV&IP)	✓	✓	✓				✓	
Information Governance	SM (L&P)	✓						✓	
Corporate governance									
HR – Absence Management	SM (HR)	✓	✓	✓	✓	✓	Adequate	✓	
HR – Recruitment & Training	SM (HR)	✓	✓					✓	
Fraud & Irregularities	HoF							✓	Q4
Health & Safety	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
Business Continuity & Emergency Planning	SM (EM&S)	✓						✓	
Core Financial Systems									
Accounts Payable	SM (R&B)	✓	✓	✓				✓	
Accounts Receivable / Debt Management	SM (R&B)	✓	✓	✓				✓	
Main Accounting	HoF	✓	✓	✓				✓	
Payroll	SM (HR)	✓	✓	✓				✓	
Income Collection	SM (R&B)							✓	Q4
Taxation (VAT)	HoF	✓						✓	
New Finance System implementation	HoF	✓	✓	✓				✓	On-going advisory role
Information Technology									
Software licensing / Management of assets	SM (ICT)	✓						✓	
Cyber security	SM (ICT)	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Business Continuity / Disaster Recovery Planning	SM (ICT)	✓						✓	
Service Desk and Incident Management	SM (ICT)	✓	✓	✓				✓	
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)							✓	Q4
Housing Asset Management – Lift Maintenance	SM (HMO)	✓	✓	✓	✓	✓	Limited	✓	NB review carried forward from 18/19
Housing Asset Management	SM (HMAC)	✓	✓					✓	
Housing Finance	SM (HO)							✓	Q4
Housing Maintenance – Supply Chain Arrangements	SM (HMO)	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Leisure Centre – Income Collection	SM (H&L)	✓						✓	
Environmental Services (Trade Waste) – Follow Up Review	SM (W&T)	✓	✓	✓	✓	✓	n/a	✓	Follow up review
Environmental and Regulation – (Food & Safety and Environmental Protection)	SM (E&R)	✓	✓	✓	✓	✓	Adequate	✓	
Licensing	SM (E&R)	✓	✓	✓				✓	
Planning (incl. Community Infrastructure Levy)	SM (PMD)	✓						✓	
Parking & Enforcement	SM (S)	✓	✓	✓	✓	✓	Adequate	✓	
Land Charges	SM (PMD)	✓	✓	✓				✓	
Grants Awarded	HoF	✓	✓	✓	✓	✓	Substantial	✓	
Community Safety	SM (EM&S)	✓	✓	✓				✓	
Lease Income	SM (EV&IP)	✓	✓	✓				✓	

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. Advisory role on the potential new arrangements for the 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.

Agreed October 2019*

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.

Agreed October 2019*