

Annual Internal Audit Report & Opinion

2017 - 18

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 organisations objectives.

2. Internal Audit Opinion

The 2017-18 internal audit plan was delivered by the Council's in-house team. With effect from 01 April 2018, the Council transferred responsibility for internal audit to the Southern Internal Audit Partnership (SIAP), and in so doing, the Head of SIAP is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its' governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the proportion of New Forest District Council's audit need that has been covered within the period.

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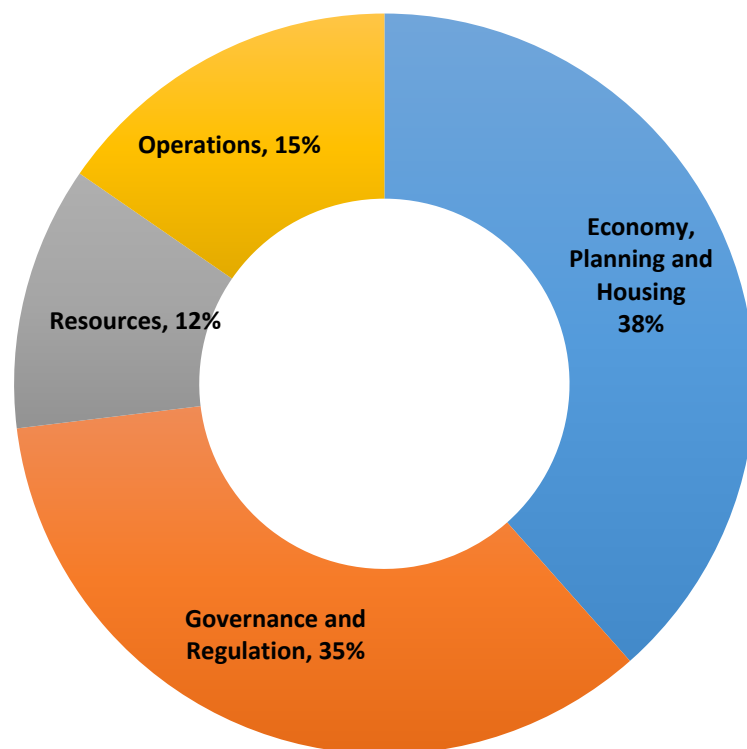
"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of New Forest District Council's internal control environment.

In my opinion, New Forest District Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, the Council's Internal Audit Team worked with management to agree appropriate corrective actions and a timescale for improvement."

3. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2017-18 internal audit plan was approved by the Audit Committee in March 2017. The plan remained fluid throughout the year to maintain an effective focus.

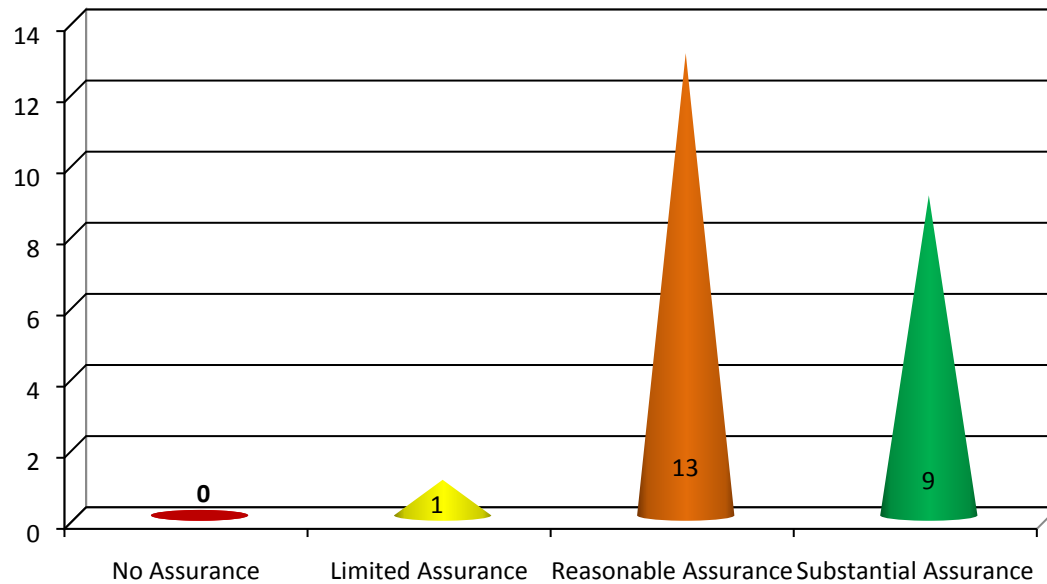
In delivering the internal audit opinion the Council’s Team undertook 26 reviews during the year ending 31 March 2018.

Due to the ICT Auditors focus on GDPR readiness in the early part of the year and later resignation, there was minimal ICT audit coverage within the year; therefore SIAP are developing an assurance map to inform future years’ ICT audit activity and ensure sufficiency of audit coverage.

The revised 2017-18 internal audit plan has been delivered with the following exceptions:

- Fieldwork remains in progress in respect of three reviews (Payroll; ICT Assurance Mapping and a combined Vehicle and Plant Maintenance / Transport and Fleet Management Audit).

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) was defined by the in-house team as follows:



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.

A summary of the Internal Audit Activity and Opinion for each review is provided in Annex A.

4. Key Observations

There were no 'No Assurance' opinions issued during the year. In general internal audit work found there to be a sound control environment in place across a majority of review areas that were working effectively to support the delivery of corporate objectives.

One report concluded with a 'Limited Assurance' opinion during the year - Health and Leisure Centres. The following is a summary of the main findings:-

Information Governance - personal and sensitive information was found to be retained for longer than necessary, access to information was not suitably restricted and staff had not received adequate training on data protection.

Health and Safety - two centres did not have a current fire risk assessment and there were outstanding actions from the assessments undertaken at the three other centres.

In general, routine safety checks were found to be completed, however the audit identified gaps in coverage and in recording the checks undertaken. The audit also found that access to, and the control of, potentially harmful chemicals could be enhanced. There was opportunity to make more effective use of available software to record and monitor activity undertaken, identify and address outstanding actions and achieve more consistency with records keeping, control and management.

Training & Development - based upon the information within the Health and Leisure training database and HR information held in Agresso or Meridio, the audit highlighted inconsistencies in the completion, recording and evidencing of staff training.

Significant progress had been made with implementing the actions arising from this review including the completion of all (five) high priority actions.

5. Anti Fraud and Corruption

The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image. Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud or corruption.

There were 33 potential fraud or irregularity referrals to the in-house team during 2017-18 (30 in 2016-17). Investigations were undertaken on 11 of these referrals of which one is on-going. 10 cases have been closed resulting in the recovery of one property due to tenancy fraud, eight relating to Housing Benefit/Council Tax Benefit or Reduction fraud and one internal investigation.

The Council employs a Corporate Fraud Officer who is responsible for providing both reactive fraud and irregularity investigations and proactive fraud work. As the Internal Audit provider, the Southern Internal Audit Partnership (SIAP) will monitor the outcomes of this work and will review the governance arrangements to prevent, detect and investigate fraud and irregularities on a cyclical basis.

6. Acknowledgement

I would like to take this opportunity to thank all those staff throughout New Forest District Council with whom the in-house team have engaged with throughout the year. It is our view that the relationship has been positive and management were responsive to the comments made both informally and through formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership
May 2018

Annex A – 2017-18 Internal Audit Activity

Audit Area	Status	Audit Opinion
Economy, Planning and Housing		
Development Control (including planning enforcement and appeals)	Final Report	Reasonable Assurance
Forward Planning - Policy and Plans (inc S106/CIL)	Final Report	Reasonable Assurance
Conservation (listed/historic buildings) and Urban Design	Final Report	Substantial Assurance
Sundry Income Team	Final Report	Substantial Assurance
Council Tax	Final Report	Reasonable Assurance
National Non Domestic Rates	Final Report	Substantial Assurance
Housing Benefits	Final Report	Substantial Assurance
Landlord Services (Rents)	Final Report	Substantial Assurance
Estates Management	Final Report	Reasonable Assurance
Resident Involvement	Final Report	Reasonable Assurance
Governance and Regulation		
Main Accounting System inc bank reconciliation	Final Report	Substantial Assurance
Treasury Management	Final Report	Substantial Assurance
Accounts Payable	Final Report	Reasonable Assurance
Income/Cash Collection, Banking and Reconciliations	Final Report	Reasonable Assurance
VAT	Final Report	Reasonable Assurance

Audit Area	Status	Audit Opinion
Procurement - Contract Management Audit	Final Report	Substantial Assurance
Asset Management	Final Report	Substantial Assurance
Community Safety (inc Anti Social Behaviour)	Final Report	Reasonable Assurance
Health and Safety	Final Report	Reasonable Assurance
Resources		
Payroll	<i>In progress</i>	
IT Audit – Assurance Mapping	<i>In progress</i>	
Community Alarms / Lifelines / CCTV	Final Report	Reasonable Assurance
Operations		
Health and Leisure Centres (including income returns)	Final Report	Limited Assurance
Parking & Enforcement (including Car Park income reconciliations)	Final Report	Reasonable Assurance
Vehicle and Plant Maintenance / Transport and Fleet Management System	<i>In progress</i>	
Trees (Council Owned)	Final Report	Reasonable Assurance