

Internal Audit Progress Report

October 2018

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 - 10
- 7. Rolling work programme 11 - 14
- Annex A Audit assurance opinion definitions in place prior to SIAP 15

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. Purpose of report

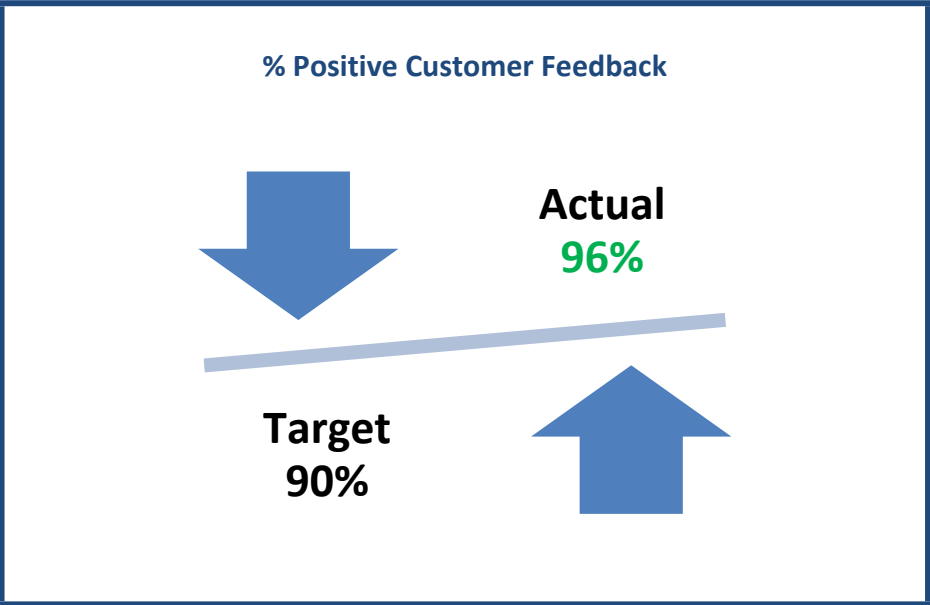
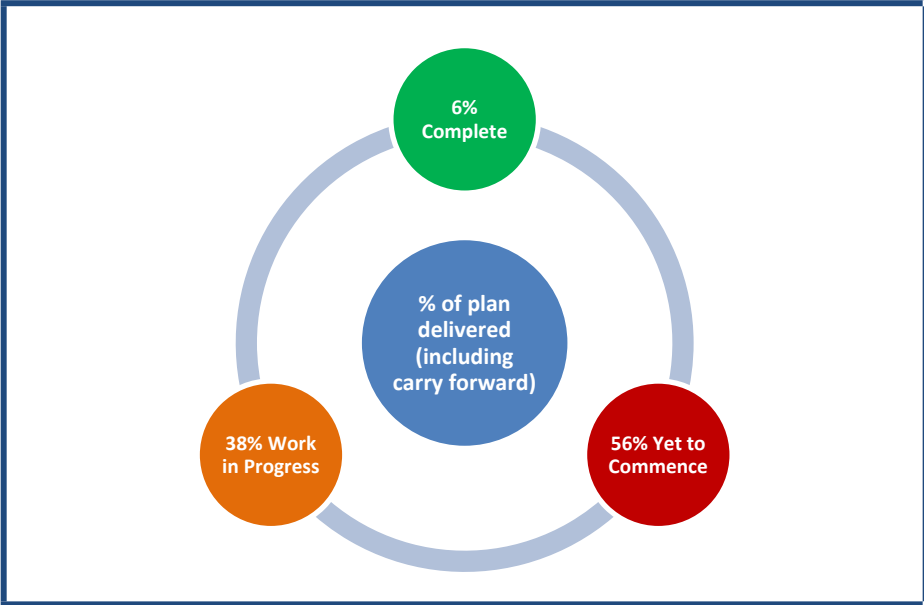
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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 27 outstanding actions from 10 audits relating to reviews completed prior to the 2017/18 audit plan (82 actions completed from the corresponding 10 audits). 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 27 outstanding actions, five 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 – A business continuity management policy has been developed including updated roles, responsibilities and an action plan for completion by the end of November 2018. This will be followed up in 2019/20 once implemented. 								
(Housing) Estates Management 2017/18	Sep-17	SM (HM)	Reasonable*	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
VAT 2017/18	Nov-17	HoF	Reasonable*	4 (0)	0 (0)	0 (0)	3 (0)	1 (0)
Accounts Payable 2017/18	Dec-17	HoF	Reasonable*	3 (0)	0 (0)	2 (0)	1 (0)	0 (0)
Health and Leisure Centres 2017/18	Jan-18	SM (H&L)	Limited*	35 (5)	0 (0)	1 (0)	32 (5)	2 (0)
Resident Involvement 2017/18	Jan-18	SM (EM&S)	Reasonable*	4 (0)	0 (0)	4 (0)	0 (0)	0 (0)
Trees (Council Owned) 2017/18	Feb-18	SM (OP)	Reasonable*	9 (1)	0 (0)	0 (0)	6 (1)	3 (0)
Income 2017/18	Mar-18	SM (BI&CS)	Reasonable*	10 (0)	0 (0)	2 (0)	4 (0)	4 (0)
Asset Management 2017/18	Mar-18	SM (E&V)	Substantial*	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
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)

* 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

There are no new reports published concluding a ‘Limited’ or ‘No’ assurance opinion.

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 plan was developed following a review of key documents including the Corporate Plan; Strategic and Service Risk Registers; and our understanding of the organisation and key priorities for 2018-19.

Whilst some consultation took place, due to time constraints, individual, detailed meetings were not held with each Service Manager to discuss, for example, their concerns, planned service or system developments, legislative change etc. to inform the timing of audits (by year) and potential scope of the reviews. Following the Council formally joining the Partnership, meetings have been held with Service Managers to discuss their areas in more detail and identify how they can obtain the most value from Internal Audit. An indicative scope and timing has been agreed for the majority of areas originally included in the plan.

The consultation identified some areas where an audit in 2018-19 may not add as much value to the Council as a review in future years would bring due to, for example, the timing of planned developments within the Authority. These audit areas have tended to be of a more strategic, cross organisational or corporate governance nature rather than operational or service specific reviews.

Whilst we need to form an annual opinion on the Council’s risk management, internal control and governance arrangements, we also aim to cover all significant areas over a three year cycle and ensure, through collaboration, that the Council obtains maximum value from the Partnership.

The proposed revised plan identifies the audit areas, included in the 2018-19 plan based upon our initial assessment, where a review in subsequent years may be more beneficial to the Council. The revised plan also identifies areas to consider bringing forward into 2018-19.

The following proposed plan changes were discussed with Executive Heads on 30 July 2018:-

Audit	18-19 Original	18-19 Revised	Rationale
Corporate Plan	✓		Defer the 2018-19 review until the new corporate plan has been developed & agreed; and performance & monitoring frameworks have been orientated around the new plan.
Transformation	✓		Defer from 2018-19 until the ICT strategy has been delivered / IT enablers are in place.
Digital Agenda	✓		Defer from 2018-19 until the ICT strategy has been delivered / IT enablers are in place.
Contract Management		✓	Review of contract management arrangements and compliance across a selection of 'key contracts' – bring forward to replace deferred reviews.
Ethical Governance		✓	Assurance focussing on compliance with adopted codes and protocols ensuring relevant interests are transparent, declared and accurately recorded – bring forward to replace deferred reviews.
ICT - Business Continuity / Disaster Recovery Planning		✓	Assess Disaster Recovery Planning and Business Continuity to contribute to the identification of issues and whether the current plans to host infrastructure elsewhere will mitigate.
ICT Programme/Project Management		✓	Assurance focussing specially on ICT project/programme management given the significance to the Council / size of the programme to deliver the new strategy.
PCI - DSS		✓	Consultancy / advisory role to help the Council become Payment Card Industry – Data Security Standards compliant.
Grants & Returns	✓		No grant certification work required in 2018-19.
Economic Development	✓		Defer from 2018-19 to allow the new Economic Development Strategy 2018 – 2023 to embed and there is delivery against the strategy.

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)							✓	Q3 / Q4
Financial Stability	HoF							✓	Q3 / Q4
Income Generation & Commercialisation	SM (E&V)							✓	Q3 / Q4
Working in Partnership	SM (BI&CS)							✓	Q3 / Q4
Corporate Governance									
Human Resources	SM (HR)							✓	Q4
Fraud & Irregularities	HoF							✓	Q4
Procurement	SM (L)							✓	Q3
Contract Management	SM (L)							✓	Q4
Information Governance	SM (L)							✓	Q3

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Ethical Governance	SM (DS&MS)	✓	✓	✓				✓	
Risk Management	SM (BI&CS)	✓	✓	✓				✓	
Financial Management									
Housing Rents	SM (EM&S)	✓	✓	✓	✓			✓	
Housing Benefits	SM (R&B)	✓	✓	✓				✓	
Council Tax	SM (R&B)	✓	✓	✓				✓	
Accounts Payable	HoF	✓	✓	✓	✓			✓	
Accounts Receivable / Debt Management	SM (R&B)	✓	✓	✓				✓	
Main Accounting	HoF	✓						✓	
Treasury Management	HoF	✓	✓	✓				✓	
NNDR	SM (R&B)	✓	✓	✓				✓	
Payroll	HoF / SM (HR)							✓	Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Income Collection	SM (BI&CS)							✓	Q4
Information Technology									
IT Strategy and assurance mapping	SM (ICT)	✓	n/a	✓	n/a	n/a	n/a	✓	
Business Continuity / Disaster Recovery Planning	SM (ICT)							✓	Q4
ICT Programme / Project Management	SM (ICT)	✓	✓					✓	
PCI DSS	SM (ICT)	✓						✓	
Portfolio Themes									
Homelessness & Affordable Housing	SM (HO)							✓	Q3
Housing Asset Management	SM (HM)							✓	Q3 / Q4
Housing Finance								✓	Q3 / Q4
Disabled Adaptation Funding	SM (E&R)	✓	✓	✓	✓	✓	Adequate	✓	
Health & Leisure Facilities	SM (H&L)							✓	Q4
Environmental Services	SM (W&T)	✓	✓	✓	✓			✓	

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)							✓	Q4
Development / Building Control	SM (C&PF)							✓	Q3
Establishment Reviews	HoF							✓	Q4

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.