REPORT TO	ON
Governance Committee	31st January 2018

Jan 2017

SOUTH RIBBLE BOROUGH COUNCIL forward with South Ribble

TITLE	AUTHOR	*Agenda item No.*
2nd Internal Audit Interim Report as at 29th December 2017	**Garry Barclay Dawn Highton**	

1. PURPOSE OF THE REPORT

1.1 The purposes of this report are:

- To advise Members of the progress made on the South Ribble and Shared Services Internal Audit Plans for the period August 2017 to December 2017 and to comment on the outcomes;
- To give an appraisal of the Internal Audit Service's performance to date.

1.2 The report links with all of the corporate objectives, especially to be an 'efficient, effective and exceptional council'.

2. RECOMMENDATIONS

2.1 That the report be noted.

3. CORPORATE PRIORITIES

3.1 The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	x

4. BACKGROUND TO THE REPORT

4.1 This is the second progress report for the 2017/18 financial year and covers the period 31st July to 29th December 2017.

5. INTERNAL AUDIT PLANS

5.1 **Appendix 1** provides a "snapshot" of the overall progress made in relation to the 2017/18 Internal Audit Plans, indicating which audits have been completed and their control rating, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits.

5.2 Members will note that at this stage, the Internal Audit Plans are on target to be achieved. The table below highlights the main pieces of work undertaken during the period together with any issues identified, where applicable;

Audit Area	Assurance Rating	Comments
South Ribble Borough Council		
National Fraud Initiative	Not applicable	Investigations undertaken by the Revenues Section of the 2016/17 exercise are still on-going and to date have identified overpayments of housing benefit and council tax reduction scheme of £17,397 which is currently being recovered. Data for the Council Tax (Single Person Discount) and the Electoral Register was submitted in December 2017, with 871 matches identified which are now being investigated.
Performance Management	Not applicable	Continued project team support is being provided to enhance the Council's performance management arrangements. A sample of the reported performance data will be audited in Quarter 4.
City Deal	Not applicable	We are a member of the project team to provide advice and guidance on governance, control and risk. In addition we have provided support to enable the production of a robust risk register, which is being continuously reviewed and assessed.
Council Tax	Amber (8) Substantial	Whilst the risks within Council Tax are being effectively managed, minor improvements to the system were agreed including documenting refund checks and strengthening the administrator access arrangement for ICT officers.
NNDR	Amber (8) Substantial	No significant control weaknesses were identified however an independent review of the awarding of reliefs and discounts should be introduced.

Housing Benefits	Pending	Audit in progress.
Homelessness	Amber (6) Substantial	Our work confirmed that officers are knowledgeable and strive to provide an effective Homelessness Service. The introduction of the Homelessness Reduction Act will introduce new duties on the Council, and work is already underway to implement the required changes.
General Data Protection Regulations (GDPR)	Not applicable	We are continuing to support the Revenues Manager in preparation for the introduction of GDPR in May 2018.
Shared Services		
Treasury Management	Amber (8) Substantial	The controls in place for the management and administration of Treasury Management provide substantial assurance with only a couple of minor control weaknesses identified.

CONTROLS ASSURANCE KEY

Risk Rating

Minor, Standard, Major or Critical reflects the relative risk of each system and the impact on the Council if it was to fail.

The risk rating for each audit has been agreed following a detailed risk assessment by Internal Audit and approval by Senior Management.

Risk Rating	Full	Substantial	Adequate	Limited
Critical	4	8	12	16
Major	3	6	9	12
Standard	2	4	6	8
Minor	1	2	3	4

Control Rating

Control Rating

Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist. **Adequate** - the Authority can place only partial reliance on the controls. Some control issues need to be resolved. **Substantial** - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist. **Full –** the Authority can place complete reliance on the controls. No control weaknesses exist.

6. INTERNAL AUDIT PERFORMANCE

6.1 **Appendix 2** provides information on Internal Audit performance as at 29th December 2017. All the indicators have either been achieved or exceeded with the exception of two indicators which are slightly below target for the reasons below:

- Planned time used - due to some reviews being re-profiled for the final quarter;
- % Audit Plan completed – due to one review being at draft report stage.

7. GOVERNANCE RISK AND CONTROL EVALUATION (GRACE)

7.1 The implementation of GRACE is continuing and since April 2017, the following has been delivered:

- Training to over 80 South Ribble and Shared Services Officers.
- A member learning hour on "Understanding the Corporate Risk Register" alongside the Corporate Improvement Manager.

7.2 At the Governance Committee meeting in September 2017, we reported that over 100 risks were being continuously reviewed and monitored by risk owners. This figure has now risen to over 350 risks with both corporate and system level reports now being routinely produced.

8. BACKGROUND DOCUMENTS

Internal Audit Plan 2017/18

APPENDIX 1

INTERNAL AUDIT PLANS 2017/18

WORK AREA	Risk	Qtr	Est	Actual	Balance	Comments	Assurance Rating
SOUTH RIBBLE							
CORPORATE AREAS							
Annual Governance Statement	N/A	1 & 4	20	17.7	2.3	Complete	
Anti-Fraud & Corruption	N/A	ALL	10	7.2	2.8	On-going	
NFI	N/A	ALL	20	15.2	4.8	On-going	
GOVERNANCE							
Scrutiny & Performance							
Performance Management	Critical	1 & 4	20	6	14	Support and Q4 review	
Project Management	Critical	4	15	1.1	13.9	To commence Q4	
Human Resources							
Recruitment & Selection	Major	3	15	0	15	To commence Q4	
DEVELOPMENT, ENTERPRISE & COMMUNITIES							
City Deal	N/A	ALL	10	8.5	1.5	On-going	
Housing							
Housing Captial Programme Group	N/A	ALL	5	2	3	On-going	
Private Sector Housing Grant	Major	3	15	0	15	To commence Q4	
Revenues / Homelessness							
Council Tax	Critical	3	10	12.8	-2.8	Complete	**Amber (8) Substantial**
NNDR	Critical	3	10	12	-2	Complete	**Amber (8) Substantial**
Housing Benefits	Critical	3	10	10.3	-0.3	Draft report	
Sundry Debtors	Critical	3	10	1	9	To commence Q4	
Homelessness	Major	1	15	18.5	-3.5	Complete	**Amber (6) Substantial**
ICT							
Data Protection	Critical	1	15	8.1	6.9	On-going	
NEIGHBOURHOODS, ENVIRONMENTAL HEALTH & ASSETS							
Waste, Transport & Neighbourhoods							
Environmental Enforcement	Major	4	15	4.8	10.2	Work in progress	
Public Health							
Health and Safety	Critical	2	15	4.8	10.2	Work in progress	
Property Services							
Property Investment Portfolio	N/A	ALL	10	3.6	6.4	On-going	
Commercial Properties	Major	4	15	3.6	11.4	Work in progress	
Legionella / Asbestos Management	Major	2	15	1	14	To commence Q4	
GENERAL AREAS							
Residual Work from 2016/17	N/A	1	20	30.7	-10.7	Complete	
Risk & Control Self-Assessment (GRACE)	N/A	ALL	30	26.3	3.7	On-going	
Post Audit Reviews	N/A	ALL	10	5.2	4.8	On-going	
Contingency / Irregularities	N/A	ALL	15	12.7	2.3	On-going	
Governance Committee	N/A	ALL	15	12.2	2.8	On-going	
SOUTH RIBBLE SUB TOTAL			**360**	**225.3**	**134.7**		
SHARED SERVICES							
SHARED FINANCIAL SERVICES							
Treasury Management	Critical	3	20	19.9	0.1	Complete	**Amber (8) Substantial**
Payroll	Critical	4	20	0.2	19.8	To commence Q4	
Creditor	Critical	4	20	0.8	19.2	To commence Q4	
SHARED ASSURANCE SERVICES							
Risk Management	Critical	4	15	0	15	To commence Q4	
General Areas							
Residual Work from 2016/17	N/A	1	20	29.7	-9.7	Complete	
Risk & Control Self-Assessment (GRACE)	N/A	ALL	5	4.5	0.5	On-going	
Post Audit Reviews	N/A	ALL	10	3.4	6.6	On-going	
Contingency / Irregularities	N/A	ALL	10	4	6	On-going	
SHARED SERVICES SUB TOTAL			**120**	**62.5**	**57.5**		

APPENDIX 2

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 29th December 2017

	Indicator	Audit Plan	Target 2017/18	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	53%	53%	Target achieved
		SRBC	90%	67.5%	63%	Below target as some audit work re-profiled for the final quarter.
2	% audit plan completed	SS	100%	33%	33%	Target achieved
		SRBC	100%	50%	40%	One review at draft report stage
3	% management actions agreed	SS	98%	98%	100%	Target exceeded
		SRBC	98%	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	90%	0%	Not applicable
		SRBC	90%	90%	98%	Target exceeded

SS = Shared Services
SRBC = South Ribble