

| <i>REPORT TO</i>            | <i>DATE OF MEETING</i>              |
|-----------------------------|-------------------------------------|
| <b>GOVERNANCE COMMITTEE</b> | <b>1<sup>st</sup> February 2017</b> |

Report template revised June 2008



| <i>SUBJECT</i>   | <i>PORTFOLIO</i> | <i>AUTHOR</i>                | <i>ITEM</i> |
|--|------------------|------------------------------|-------------|
| <b>2nd Internal Audit Interim Report as at 30<sup>th</sup> December 2016</b> | <b>N/A</b>       | <b>G Barclay / D Highton</b> |             |

**SUMMARY AND LINK TO CORPORATE PRIORITIES**

The purposes of this report are:

- To advise Members of the progress made on the South Ribble and Shared Financial Services Internal Audit Plans for the period September 2016 to December 2016 and to comment on the outcomes;
- To give an appraisal of the Internal Audit Service’s performance to date.

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

**RECOMMENDATION**

That the report be noted.

**DETAILS AND REASONING**

**Background**

This is the second progress report for the 2016/17 financial year and covers the period 29<sup>th</sup> August to 30<sup>th</sup> December 2016.

**Internal Audit Plans**

**Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2016/17 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. Members should note that both Audit Plans are on course to be achieved. As is normally the case there are some variations between the planned and actual time spent on individual assignments as some of the original budget estimations have proven to be insufficient or excessive in practice.

The table below provides a summary of the audit work completed since the last meeting together with any control issues identified.

| Audit Area                             | Rating         | Comments  |
|--|----------------|---|
| <b>South Ribble Borough Council</b>    |                |   |
| National Fraud Initiative              | Not applicable | <p>Data from the following systems was submitted in October 2016 for the 2016-17 exercise.</p> <ul style="list-style-type: none"> <li>• Trade Creditors</li> <li>• Council Tax Reduction Scheme</li> <li>• Market Traders</li> <li>• Taxi &amp; Hackney Carriage Licence</li> <li>• Personal Licence</li> <li>• Residents Parking Permits</li> <li>• Payroll</li> <li>• Insurance (NFI request this data directly from our insurance provider).</li> <li>• Housing Benefit (NFI request this data directly from DWP)</li> </ul> <p>The results from the exercise were released on 26<sup>th</sup> January 2017.</p> <p>The electoral roll and council tax single person discount data is due to be submitted at the end of January with the results immediately released.</p>   |
| Fleet Management & Vehicle Maintenance | Amber (5)      | <p>The audit objectives were to assess the adequacy and effectiveness of internal controls over fleet management and vehicle maintenance.</p> <p>Whilst there is evidence that the fleet management and vehicle maintenance function is being effectively managed at an operational day to day level, a longer term strategic policy setting out the aims and objectives of the service is not in place, including procurement, branding &amp; livery, economic life of vehicles etc.</p>   |
| Disabled Facilities Grants             | Amber (5)      | <p>In 2014, the Council took the decision to administer Disabled Facilities Grants in house and the Housing Assistance Policy and operating procedures were fully revised to reflect these changes. This is the first full audit review since the changes came into effect.</p> <p>Our work confirmed that the Council's arrangements have significantly improved since our last full review. Applications are being processed in accordance with agreed procedures and in a timely fashion. There are, however some improvements to be made including:</p> <ul style="list-style-type: none"> <li>• Eradicating the duplication of work by only using one designated database;</li> <li>• Ensuring that documentary evidence to support the application is retained in all instances</li> <li>• Introducing a reconciliation to ensure all entries are recorded on the land charges register.</li> </ul> |

|                |           |  |
|----------------|-----------|--|
| Leyland Market | Amber (5) | <p>This review was undertaken to ascertain whether there are robust controls in place in respect of all market operations.</p> <p>Our work confirmed that the market is managed by an experienced officer and that there are sound procedures in place for the majority of market procedures. It was however, found that the current income management procedures need to be reviewed.</p> |
|----------------|-----------|--|

**KEY TO ASSURANCE RATINGS**

**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.

|                    |             |       |       |          |
|--------------------|-------------|-------|-------|----------|
| Control Rating     | Limited     | 4     | 7     | 9        |
|                    | Adequate    | 2     | 5     | 8        |
|                    | Substantial | 1     | 3     | 6        |
|                    |             | Minor | Major | Critical |
| <b>Risk Rating</b> |             |       |       |          |

**Minor, Major or Critical** reflects the relative risk of each system and the impact on the Council in financial and/or reputational terms 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.

**INTERNAL AUDIT PERFORMANCE**

**Appendix 2** provides information on Internal Audit performance as at 30<sup>th</sup> December 2016 at which point there were three indicators slightly lower than target:

- % of planned time used (SRBC & Shared Services);
- % of audit plan completed (SRBC);

These are due to a disproportionate amount of annual/sick leave taken in the first 3 quarters and members are reassured that there are currently sufficient staff resources remaining to complete the Audit Plans by the end of the financial year.

## GENERAL DEVELOPMENTS

### Audit Planning

Internal Audit will shortly commence the process for compiling the Annual Audit Plan for 2017 / 2018. The Plan will be compiled following a risk assessment which considers a range of risk factors, such as items in the Corporate Risk Register, significant changes in staffing, systems and procedures and the length of time since an area was last audited. There will also be consultation within each Service Group and with SMT.

If there are any topics which members would like to be included in the next Audit Plan, please inform Dawn Highton on either [dhighton@southribble.gov.uk](mailto:dhighton@southribble.gov.uk) or 01772 625251 by **Friday 10<sup>th</sup> February** and these will be taken into account as part of the overall risk assessment.

### Revised Approach

In line with the latest Internal Auditing practices, from 2017/18 we will be developing our approach to individual audit assignments by asking managers and staff to compile risk registers for each function/system under review.

This should encourage a greater ownership of risk management within services and thereby improve the level of internal control operating throughout the Council.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

|                  |   |
|------------------|---|
| <b>FINANCIAL</b> | There are no specific financial implications arising from this report.                |
| <b>LEGAL</b>     | The Interim Report is a requirement of The UK Public Sector Internal Audit Standards. |
| <b>RISK</b>      | The audit risk assessment forms part of the background papers to this report.         |

|                               |   |
|-------------------------------|---|
| <b>THE IMPACT ON EQUALITY</b> | There are no equality impacts within this report. |
|-------------------------------|---|

|                          |  |
|--------------------------|--|
| <b>OTHER (see below)</b> |  |
|--------------------------|--|

|   |  |   |   |
|---|--|---|---|
| <i>Asset Management</i>                           | <i>Corporate Plans and Policies</i>                | <i>Crime and Disorder</i>                 | <i>Efficiency Savings/Value for Money</i> |
| <i>Equality, Diversity and Community Cohesion</i> | <i>Freedom of Information/<br/>Data Protection</i> | <i>Health and Safety</i>                  | <i>Health Inequalities</i>                |
| <i>Human Rights Act 1998</i>                      | <i>Implementing Electronic Government</i>          | <i>Staffing, Training and Development</i> | <i>Sustainability</i>                     |

## BACKGROUND DOCUMENTS

2016/17 Internal Audit Plans for South Ribble Borough Council and Shared Services.  
Internal Audit Risk Assessment

## INTERNAL AUDIT PLANS 2016/17

| AUDIT AREA   | RISK RATING | PLAN (Days) | ACT (Days) | BAL (Days) | ASSURANCE RATING | COMMENTS       |
|--|-------------|-------------|------------|------------|------------------|----------------|
| <b>SOUTH RIBBLE</b>                                      |             |             |            |            |                  |                |
| <b>CORPORATE AREAS</b>                                   |             |             |            |            |                  |                |
| Annual Governance Statement                              | N/A         | 20          | 20.4       | -0.4       | N/A              | Complete       |
| Anti-Fraud & Corruption                                  | N/A         | 15          | 5.1        | 9.9        | N/A              | On-going       |
| National Fraud Initiative (NFI)                          | N/A         | 20          | 22         | -2         | N/A              | On-going       |
| <b>CORPORATE GOVERNANCE AND BUSINESS TRANSFORMATION</b>  |             |             |            |            |                  |                |
| <b>Scrutiny &amp; Performance</b>                        |             |             |            |            |                  |                |
| Data Quality   | CRITICAL    | 10          | 9.7        | 0.3        |                  | In progress    |
| <b>Revenues &amp; Benefits</b>                           |             |             |            |            |                  |                |
| Council Tax  | CRITICAL    | 35          | 4          | 31         |                  | In progress    |
| Non Domestic Rates                                       | CRITICAL    |             |            |            |                  | In progress    |
| Housing Benefits   | CRITICAL    |             |            |            |                  | In progress    |
| Debtors  | CRITICAL    |             |            |            |                  | In progress    |
| <b>ICT</b>   |             |             |            |            |                  |                |
| Mobile Technology  | MAJOR       | 10          | 11         | -1         | Green (3)        | Complete       |
| <b>DEVELOPMENT, ENTERPRISE &amp; COMMUNITIES</b>         |             |             |            |            |                  |                |
| <b>Community Works</b>                                   |             |             |            |            |                  |                |
| Bamber Bridge Project                                    | N/A         | 10          | 12.5       | -2.5       |                  | In progress    |
| <b>Housing</b>   |             |             |            |            |                  |                |
| Housing Capital Working Group                            | N/A         | 10          | 5.6        | 4.4        |                  | In progress    |
| Disabled Facilities Grants                               | MAJOR       | 15          | 16.3       | -1.3       | Amber (5)        | Complete       |
| <b>Planning</b>  |             |             |            |            |                  |                |
| Development Control                                      | MAJOR       | 15          | 0          | 15         |                  | To commence Q4 |
| Developers Contributions                                 | MAJOR       | 15          | 0          | 15         |                  | To commence Q4 |
| <b>NEIGHBOURHOODS, ENVIRONMENTAL HEALTH &amp; ASSETS</b> |             |             |            |            |                  |                |
| <b>Parks &amp; Neighbourhoods</b>                        |             |             |            |            |                  |                |
| Withy Grove Project                                      | N/A         | 5           | 0.2        | 4.8        |                  | To commence Q4 |
| Maintenance & Inspection Regimes                         | MAJOR       | 15          | 0.8        | 14.2       |                  | In progress    |
| <b>Waste and Transport &amp; Neighbourhoods</b>          |             |             |            |            |                  |                |
| Fleet Management / Vehicle Maintenance                   | CRITICAL    | 15          | 16.2       | -1.2       | Amber (5)        | Complete       |
| <b>Public Health</b>                                     |             |             |            |            |                  |                |
| Licensing  | MAJOR       | 15          | 0          | 15         |                  | To commence Q4 |
| Lone Working   | MAJOR       | 15          | 0          | 15         |                  | To commence Q4 |
| Counter Terrorism "Prevent" Duty                         | MAJOR       | 10          | 9.7        | 0.3        |                  | In progress    |
| <b>Property Services</b>                                 |             |             |            |            |                  |                |
| Leyland Market   | MAJOR       | 10          | 10.2       | -0.2       | Amber (5)        | Complete       |
| <b>HUMAN RESOURCES</b>                                   |             |             |            |            |                  |                |
| Training & Development                                   | MAJOR       | 15          | 0          | 15         |                  | To commence Q4 |
| <b>GENERAL AREAS</b>                                     |             |             |            |            |                  |                |
| Irregularities (Contingency)                             | N/A         | 10          | 5.3        | 4.7        |                  | On-going       |
| Post Audit Reviews                                       | N/A         | 10          | 5          | 5          |                  | On-going       |
| Residual Work from 2015/16                               | N/A         | 20          | 30         | -10        |                  | Complete       |
| Unplanned Reviews (Contingency)                          | N/A         | 10          | 20.5       | -10.5      |                  | On-going       |
| Governance Committee                                     | N/A         | 20          | 11.5       | 8.5        |                  | On-going       |
| <b>TOTAL</b>   |             | <b>345</b>  | <b>216</b> | <b>129</b> |                  |                |

| AUDIT AREA                       | RISK RATING | PLAN (Days) | ACT (Days) | BAL (Days) | ASSURANCE RATING | COMMENTS       |
|----------------------------------|-------------|-------------|------------|------------|------------------|----------------|
| <b>SHARED SERVICES</b>           |             |             |            |            |                  |                |
| <b>SHARED FINANCIAL SERVICES</b> |             |             |            |            |                  |                |
| Main Accounting System           | CRITICAL    | 95          | 4.1        | 90.9       |                  | To commence Q4 |
| Creditors                        | CRITICAL    |             |            |            |                  | To commence Q4 |
| Payroll                          | CRITICAL    |             |            |            |                  | To commence Q4 |
| Treasury Management              | CRITICAL    |             |            |            |                  | In progress    |
| Cash & Bank / Cheque Control     | CRITICAL    |             |            |            |                  | In progress    |
| <b>GENERAL AREAS</b>             |             |             |            |            |                  |                |
| Post Audit Reviews               | N/A         | 10          | 4.2        | 5.8        | N/A              | On-going       |
| Contingency                      | N/A         | 20          | 3.8        | 16.2       | N/A              | On-going       |
| Residual Work from 2015/16       | N/A         | 20          | 25.9       | -5.9       | N/A              | Complete       |
| <b>TOTAL</b>                     |             | <b>145</b>  | <b>38</b>  | <b>107</b> |                  |                |

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 30<sup>th</sup> December 2016

|   | Indicator   | Audit Plan | Target 2016/17 | Target to Date | Actual to Date | Comments              |
|---|---|------------|----------------|----------------|----------------|-----------------------|
| 1 | % of planned time used                                    | SS         | 90%            | 35%            | 26%            | Below target          |
|   |   | SRBC       | 90%            | 67.5%          | 63%            | Slightly below target |
| 2 | % audit plan completed                                    | SS         | 100%           | 0%             | 0%             | Not applicable        |
|   |   | SRBC       | 100%           | 67%            | 58%            | Below target          |
| 3 | % management actions agreed                               | SS         | 98%            | 0%             | 0%             | Not applicable        |
|   |   | SRBC       | 98%            | 98%            | 98%            | Target achieved       |
| 4 | % overall customer satisfaction rating (assignment level) | SS         | 90%            | 90%            | 100%           | Target exceeded       |
|   |   | SRBC       | 90%            | 90%            | 99%            | Target exceeded       |

SS = Shared Services

SRBC = South Ribble